

Fighting to Keep Power in Brazil, Sarney Moves to the Right

By Juan de Onis
International Herald Tribune

RIO DE JANEIRO—Brazil's transition to democracy under President José Sarney is moving to the political right in search of stability.

The center-left political coalition that restored civilian rule in 1985 after 21 years of military rule, has fallen apart. The Brazilian Democratic Movement Party initially was the keystone of the government, but it has split over Mr. Sarney's leadership.

His shift to the right is part of an attempt to control rampant inflation and reduce political uncertainty. Economic growth has come to a standstill in Brazil, a once buoyant country of 140 million people. Public discontent is on the rise.

Mr. Sarney, 56, is fighting for his political life. His opponents, including the dissident left wing of the party, want to shorten his term by a year and force a presidential election this year.

"They want me to resign or commit suicide," said Mr. Sarney in a recent emotional interview in a Brasília newspaper.

Mr. Sarney won a big round in the battle last month when a constituent assembly, writing a new constitution in Brasília, maintained, by a vote of 344 to 210, the traditional presidential system, with a five-year term, instead of a parliamentary system, with a figurehead president.

But the uncertainty can only be settled by yet another vote, possibly late this month, on whether Mr. Sarney's term should be cut to four years, forcing an early election.

The attempt to shorten Mr. Sarney's term has changed the course of the democratic transition from center left to moderate right.

Powerful state governors, the commanders of the armed forces, influential business leaders and a conservative bloc in the National Congress, the nation's legislature, have stood with Mr. Sarney on the five-

NEWS ANALYSIS

year term. The Brazilian Democratic Movement Party split, and 90 dissident legislators quit the party.

This creates the possibility of a new political coalition supporting Mr. Sarney for the remainder of his term. The condition for this support is that Mr. Sarney face the nation's economic crisis before it destroys both the economy and confidence in democratic government.

The Brazilian growth rate fell to 2.9 percent of gross domestic product last year, after 8 percent growth in 1985 and 1986. Symptoms of recession are growing with sharp declines in consumer demand.

The biggest loser in the turmoil has been the image of democracy. The performance of the politicians has produced violent inflation, a corruption scandal over federal aid to states and townships, and an erosion of Mr. Sarney's popularity.

During three shaky years in power, Mr. Sarney has seen his approval rating in opinion surveys peak briefly at 80 percent in April 1986, when he imposed price controls, and plunge to less than 20 percent now, with inflation running at 17 percent a month.

This disillusionment has lowered expectations among Brazilians of all social levels.

The leader of the opposition to Mr. Sarney is Leonel Brizola, former governor of Rio de Janeiro, whose populist line and presidential ambitions give him political clout. Other opponents include the party rebels and Marxists. Another independent opposition group is led by the Roman Catholic-left Workers Party of Luis Inácio da Silva, a former labor leader who also is a presidential hopeful.

Mr. Sarney was considered a progressive when he was governor of his home state, Maranhão, a conservative bastion in the northeast. On the national level, Mr. Sarney has tried to appear as a social reformer and friend of intellectuals, but his political associates and military friends make up a conservative group.

The president and his new supporters have chosen a collision course with the leftist opposition. The fight is now likely to move from the halls of the National Congress to the streets, with major labor strikes, urban protest rallies and polarized politics.

After months of hesitation, last week Mr. Sarney approved the demands of Finance Minister Malson Ferraz da Nóbrega for cuts in public spending, including a three-month freeze on cost-of-living increases for the 1.6 million Brazilian government employees. An increased tax on bank profits also was imposed.

With these measures in force, Mr. Nóbrega went to Washington to seek aid from the International Monetary Fund, the World Bank, the U.S. government and international banks.

"Only debt refinancing through an agreement with the International Monetary Fund can save us from recession," Mr. Nóbrega said.

This was a direct challenge to the political left. Last year, when the Brazilian Democratic Movement Party controlled the Finance Ministry, Brazil declared a debt moratorium and rejected any agreement with the IMF. In terms of economic growth, the policy backfired. Access to foreign credit dried up. Reserves fell. Growth slowed to a standstill.

Under Mr. Nóbrega, Mr. Sarney ended the moratorium, and Brazil has resumed interest payments. But refinancing depends on internal stabilization measures, as well.

The inflation is largely a result of public deficits, accumulated under Mr. Sarney, that have grown into a financial cancer that now threatens to bring on a major recession and runaway inflation.

Last month, the collapse in public finances became so acute that Mr. Nóbrega announced that current tax revenues no longer were enough to meet public payrolls.

Brazil no longer can service its \$110 billion foreign debt. The internal debt level has raised fears in Brazil's capital market of a default that would undermine internal savings.

"Sarney had to act now," said a Western diplomat. "He had little choice on economic grounds. But he has to find a new base of political support."

The reactions of Brazil's electorate to Mr. Sarney's new economic measures and political alignments will be measured in municipal elections in November. Mr. Sarney and his supporters will have to face the consequences of fighting inflation through wage cuts, reduced purchasing power and job insecurity. This promises turbulent times ahead.

Jackson Criticizes Koch for Inciting 'Divisive' Political Climate in N.Y.

By Maureen Dowd
New York Times Service

NEW YORK—Tired of turning the other cheek to Mayor Edward I. Koch's attacks, the Reverend Jesse L. Jackson has put aside the politics of love and talked about the politics of hate.

"We have received more death threats in this campaign than in all the others combined because the climate has been one that is so divisive," he said Monday, the day before New Yorkers voted in the state presidential primary.

Gerald Austin, Mr. Jackson's campaign manager, said that "half a dozen" death threats had been received since Mr. Jackson began campaigning full time in New York 12 days ago.

Mr. Jackson has been tightly guarded and has worn a navy blue bulletproof raincoat or a bulletproof vest for his campaign stops.

At a news conference Monday in Manhattan he spoke about the threats of violence in answer to a question about the mayor's remarks accusing him of lying about his actions after the Reverend Martin Luther King Jr. was shot to death in Memphis 20 years ago.

"In New York there has been more divisive language than in any other state or region in the country," Mr. Jackson said.

Mr. Jackson was asked to respond to Mr. Koch's assertions that he had used the assassination of King to "feather his own nest" by appearing in public the morning after the assassination, wearing a bloody shirt that Mr. Jackson asserted had been stained with King's blood, an assertion that has been disputed by some.

"I will not dignify the accusation" with an answer, Mr. Jackson replied, adding that it was "a diversion to keep us from focusing on the real problems of New York."

"Instead of being a healer, Ed Koch has been a divider, and that can cause irrational things to happen," Mr. Austin said. "The message he sends is: 'If I can attack

Jackson verbally, then others can attack him some other way.'"

Mr. Koch responded to this assertion by saying that he thought it was "a foolish statement on their part." He added that he never commented on death threats against anyone, and said he deplored the fact that such threats were made.

The mayor also criticized Mr. Jackson again for failing to meet with Jewish organizations and for not marching in a parade in honor of Israel. "What Jackson has done is not only to ignore the Jews but to show his contempt for them, his arrogance," the mayor said.

After 44 contests elsewhere and a cantankerous two-week campaign in New York, the primary vote will give shape to the rest of the campaign for the Democratic Party's presidential nomination.

It will either propel Governor Michael S. Dukakis of Massachusetts into a commanding lead or leave the race in a muddle as it moves to Pennsylvania next week.

Mr. Dukakis, the overall leader in national convention delegates, was driving for a solid victory that he hoped would give him unstoppable

momentum and dispel the doubts that have followed his alternating successes and failures so far.

But Mr. Jackson was seeking to derail Mr. Dukakis with an upset victory.

Jackson Wins in Delaware
Mr. Jackson won the Delaware Democratic caucuses on Monday, defeating Mr. Dukakis. The Associated Press reported from New Castle, Delaware.

With all 41 Delaware precincts reporting, Mr. Jackson had 86.5 delegates for 45 percent of the total; Mr. Dukakis had 51.5 delegates for 27 percent, and Senator Albert Gore Jr. of Tennessee had four delegates for 2 percent.

Forty-seven delegates were uncommitted, amounting to 25 percent of those at stake. The delegates selected will attend the state convention May 23, where Delaware's 15 national convention delegates will be chosen.

Based on the results, Mr. Jackson picked up seven delegates to the national convention and Mr. Dukakis five; three are uncommitted.



The Reverend Jesse L. Jackson at the Apollo Theater in the Harlem district of Manhattan exchanging a bit of patter with two rap singers during a fund-raiser for Mr. Jackson's campaign.

THE HUSTINGS

CIA Brushing Up on Bush's Résumé

WASHINGTON (NYT)—The CIA has been doing some brushing up on one of its former directors, Vice President George Bush. Agency officials say they have compiled facts about Mr. Bush's tenure at the agency, which he headed for almost a year beginning in 1976.

Asked about the purpose of the study, William Baker, a CIA spokesman, said: "In a general way, we try to anticipate some of your questions so that I can respond 'no comment' with some degree of knowledge."

Press Gives New York a Hard Time

NEW YORK (NYT)—Martin F. Nolan, a reporter for The Boston Globe, has clearly won the award for the most stinging putdown of Governor Mario M. Cuomo of New York.

He called Mr. Cuomo "The Martha Mitchell of the 1980s." Mrs. Mitchell, who died in 1976, was the wife of John N. Mitchell, attorney general in the Nixon administration. She could not keep from calling reporters and commenting on almost any subject — something Mr. Cuomo has been known to do now and then.

AMERICAN TOPICS

A Mantra for Courage From 'Julius Caesar'

The teaching of "Julius Caesar" in high schools as an introduction to Shakespeare has been criticized in a New York Times play review as too somber, too somnolent. In a letter to The Times, Cameron S. Moseley, an educational publishing consultant, disagrees, saying "Julius Caesar" is "a good introduction" to Shakespeare.

He recalls a teacher acquaintance who was visited during World War II by a former pupil wearing an Army Air Forces uniform. The airman said, "Something I learned in your class helped get me through my missions as a tail gunner. I kept repeating it to myself over and over."

Cowards die many times before their deaths;
The valiant never taste of death but once.

The teacher remarked, "Things like that make teaching 'Julius Caesar' worthwhile."

Notes About People

The revelation by the former spokesman for Ronald Reagan, Larry Speakes, that he fabricated presidential quotes for the press prompted Jody Powell, who was Jimmy Carter's White House spokesman, to telephone the former president to say, "I just want to let you know I didn't make up any quotes for you." The Washington Post reports. Mr. Powell, now chief executive officer of the public affairs firm Ogilvy &

Mather, said Mr. Carter "paused for a moment and said, 'Does that mean if you go out and say that publicly, that I'll have to take responsibility for all the foolishness you put out in my name?'"

Heckrick Smith, author of the new best-seller "The Power Game: How Washington Works," has resigned from The New York Times. Executive Editor Max Frankel said that Mr. Smith, "in the glow of his critically acclaimed new book, will turn to one or more major televi-

Mayor Henry Cisneros, was arrested with 80 other people in a city crackdown on unpaid traffic tickets. George Cisneros paid his fine for running a red light, and made no comment. His brother, the mayor, said: "The law knows no special treatment. I think his number came up on the computer and they got him. I hope he pays his tickets from now on."

Short Takes

A German shepherd named Thor belonging to the Kent, Washington, police force tracked down a suspected thief and was stabbed with an 11-inch (28-centimeter) bayonet that severed an artery. A Labrador retriever from the dog pound donated a pint (half a liter) of blood that saved Thor's life. He is expected back on duty in a month. Unlike humans, dogs can accept any of the eight canine blood types for an initial transfusion. His suspected assailant was booked for injuring a police dog, which is a felony.

Ordered back to jail for violating probation, John Ibarra ran out the back door of the Torrance, California, courthouse and into the police station parking lot just as more than 20 officers were leaving for the evening shift. Quickly re-arrested, Mr. Ibarra, 38, was booked for attempted escape.

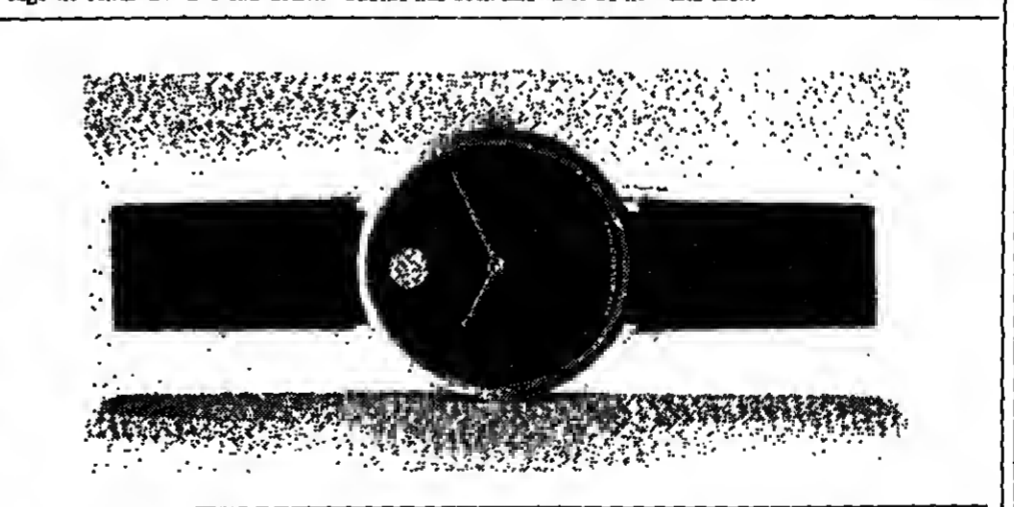
The afternoon Knickerbocker News in Albany, New York, is closing this week after 145 years, with circulation at 28,000 and falling. The staff will merge with that of the morning Times Union, circulation 82,759. Both papers are owned by Hearst Corp.

In San Antonio, Texas, George Cisneros, the brother of

Arthur Higbee



Jody Powell



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SNAP Election

Four United Nations aid workers in northern Ethiopia were barred from the region, the United Nations said.

From Quota to

Ases and Japan are "a long way from the Japanese quota system," the negotiator said Tuesday.

UPDATE

Britain Increase

Through British airports and the Chernobyl nuclear accident, the airport authority, BAA,

Don't Change Strategic Edge

More than 100,000 British troops are still in the Gulf.

NEWS ANALYSIS

The British Army is still in the Gulf.

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ARTS / LEISURE

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Much Ado, No Point of View

By Sheridan Morley

LONDON — The opening of the main-stage Stratford season does not augur well for the rest of the summer there. A dire and shaky "Much Ado About Nothing" directed by Di Trevis betrays a breathtaking lack of confidence in the intrinsic merits and strength of this admittedly difficult and treacherous comedy.

might be something here worth watching. The production has no real point of view, and that is also often true of its spectators, since a new Stratford thrust stage now effectively blocks sight lines on three sides from the front stalls. There is however an adequate Dogberry from David Waller, and a Beatrice and

THE BRITISH STAGE

Benedick (Maggie Steed and Clive Merrison). It may improve once they all get their act together and join the same play.

The second half of Goethe's "Faust" at the Lyric Hammersmith is almost four hours long (on Saturdays until the middle of May you could try to survive the whole eight-hour marathon) and comes as something of a revelation to these accustomed to the shorter Marlowe version, in which the good doctor duly ends up in hell for having lusted after Helen of Troy.

According to Goethe, he in fact gets rescued by a band of angels at the moment of death, thereby leaving an understandably indignant Mephistopheles wondering why on earth, or even in hell, he has been spending so much time and money conjuring up dead superstars and turning sea into land only to be deprived at the last of his rightful prey.

In Robert David Macdonald's splendid new translation, the Goethe version (ably directed by David Freeman of the Opera Factory, with Simon Callow in the title role getting ever more like Peer Gynt at the end of not dissimilar travels around his neglect as a huge and mystical epic, full of glowing books and luminous midgets in glass bubbles and fountains that would have gladdened the heart of Ziegfeld. Somewhere inside this massively

daft fantasy is a poetic pilgrimage through worldly disillusion and self-doubt, and it is a fair reflection of the current state of our theater that such a hugely ambitious project should be undertaken and brought to an at least partially successful conclusion not by the subsidized giants of the RSC or the National, but by a small group of 12 working on a correspondingly meager budget.

At the Royal Court, a Howard Brenton season opens with a revival of his 1984 "Bloody Poetry" which I originally cheered for the waspishly witty way it avoided the traps of the usual great-poet stage or screen biographies ("Morning Shelley, how's Byron and has anyone seen Wilkie Wordsworth?") while offering a sharp look at the self-imposed exile of two romantics who set out to change the world and ended by destroying their own families.

Some of the original energy of the first Hampstead production seems to be lacking from Max Stafford-Clark's Chelsea revisit. Though there is still a kind of feminist rage in Shelley's mistress ("All you scribbling poets have in common is that you go to bed with your sisters"), the rest of the new production has gone very soft around the edges. As children expire and wives drown in the Serpentine and wars of liberation are fought while the poets agonize over who gets to sleep with whose mistress, Brenton still seems to be telling us that in the end it was Shelley the idealist who managed to cause far more domestic destruction than Byron the worshipping rake.

Drifting around Italy stewing the landscape with bastards and bills, Byron and Shelley are an impressive double-act, but the performances of Nigel Terry and Mark Rylance are less secure than the originals.



"The Ring": Giants in "Das Rheingold" are immense clowns (left); in second act of "Die Walkure," a traditional theater progressively disintegrates around Wotan.

Wagner's Cosmos as Theatrical Myth

By David Stevens

PARIS — The gods arrive at the beginning of "Das Rheingold" in white, vaguely modern dress, carrying suitcases, holding colorful theatrical robes. The giants are immense clowns surrounded by acrobats, jugglers and other denizens of the circus. Loge climbs out of a prompter's box, and Nibelheim is a vast workshop in the bowels of a theater where artisans of all kinds convert the gold of the Rhine into musical instruments and props.

The Wagnerian cosmos of "Der Ring des Nibelungen" becomes the world of the theater in this production — staged by Daniel Mesguich and designed by Louis Bercout —

shared by the Nice Opera and the Théâtre des Champs-Élysées, in Paris for a total of four cycles. With the veteran Borislov Klobučar drawing firm and even sumptuous sound from his Nice Philharmonic, and with solid if not sturdy casting, the musical side of this enterprise has been as satisfying as the rich theatrical imagery.

Mesguich and his team are operating on several levels, allegorically and literally, with as much and theatrical illusion. Parallels are found between the Nordic myths and the myths of the theater. Wagnerian music drama seems to be sweeping away traditional opera, but this art of the future carries the seeds of its own destruction. If not all the parts fit snugly, that has much to do with the often contradictory complexity of the "Ring" itself. No call for theatrical sleight of hand goes unanswered. Alberich's demonstration of the Tarnhelm's wonders is splendidly pulled off, and with the aid of film the gods' march up distant heights to Valhalla is as lofty as the music that accompanies it.

Wotan seems to be the impressive, metatheatrical and leading actor of his wandering troupe. The actors arrive, get into their traditional costumes and march up the Rhine in a ghostly procession while the Rhine maidens in bridal dresses play their games with a business-suited Alberich.

Wotan also is Wagner himself, for when Siegmund tells Siegmund

of the mysterious stranger who appeared at her wedding, Wotan crosses the stage wearing the composer's famous velvet beret. At the beginning of Act 2 of "Die Walkure," Wotan in full theatrical regalia is manipulating the puppets of a miniature theater he keeps under a glass bell, thoroughly absorbed with his own scenario until Fricka dictates a new script and spoils his fun. He doffs his robe and does what he has to do, bringing a rain of spears from the flies down on Siegmund, then with a gesture doing the same to Hunding.

A traditional theater building is half buried in the meadow where the gods gather in "Rheingold," like a great ship about to vanish beneath the waves. Most of "Walkure" is played in front of the progressively disintegrating remains of a traditional Italian theater auditorium, with its red-and-gold decor and boxes for royalty and high society. Hunding is costumed like a respectable 19th-century burgher, and all those people watching from the boxes, outfitted by the same costume department, must be his clan, for they all drop lifeless when Wotan snuffs out Hunding.

Some of the images fall short. The Valkyries' rock is covered with dead "heroes" thrashing around in death spasms while evening-gowned Valkyries observe through opera glasses. Who is this blond movie queen of an Erda, who emerges from a spangled, tentlike shelter? Who is this boy who

watches from the sidelines, sometimes reading a book, sometimes joining in the action? The music stands that pop up as Siegmund and Sieglinde launch into their duet are they any more than a slight gag to announce a "number"? What is all the playing with broken swords before Siegmund finds the real thing in the floor?

Despite the overflowing bag of theater tricks, Mesguich knows when to get out of the way of the music. In "Die Walkure," the great Act 1 duet, the annunciation of death, and above all Wotan's farewell unfold in a recognizable traditional way, and with Klobučar leading a spacious, broadly paced reading, the music ultimately sweeps all before it.

James Johnson's Wotan is imposing in stature and gesture, and his bass-baritone grew in strength and amplitude as the first two dramas progressed. First among the gods, he was first among equals in a well-balanced "Walkure" cast that included Anne Evans's womanly Brunnhilde, Kathryn Harries and Warren Ellisworth as a handsome and moving pair of sibling-lovers (dressed in unisex outfits), and Carol Yahr's righteousness indignam Fricka.

"Rheingold" was strengthened by Tom Fox's agile, powerfully sung Alberich and Graham Clark's marvelously entertaining Loge, part magician, part old vaudevilian, called in by impresario Wotan

to warm up the crowd with a few tricks. Orrun Wenkel made Erda's sonorous recommendation to Wotan sound (and look) like a word to the wise from an old flame. Harry Peeters (Fasolt) and Gabor Andrássy (Falner, Hunding) were the solid hasses.

The staging of Wagner, and the "Ring" in particular, has survived several epochs, from the composer's own 19th-century naturalism through his grandson Wieland's revolutionaries, myth-centered abstractions. Before the turn of the century George Bernard Shaw had already suggested that top hats, factories and villas were the correct setting for a socialist analysis of mid-19th-century industrial society, and beginning about two decades ago that turned out to be the post-Wieland style.

Just as Wagner appropriated the paraphernalia of Nordic myth for his own purposes, Mesguich has appropriated theatrical myth as another way of looking at Wagner's gigantic allegory. With this staging, and with a new one due at Bayreuth this summer, perhaps another page is about to be turned. The possibilities are probably as infinite as the "Ring" itself, and the lush clash of cheers and boos that greeted Mesguich after "Die Walkure" shows that the camps of tradition and innovation are still strongly armed.

"Der Ring des Nibelungen," Théâtre des Champs-Élysées, Paris. "Götterdämmerung," April 22, 23.

DOONESBURY



GENERAL NEWS

East German Dilemma: Freer Travel Increases Voyagers' Expectations

By Robert J. McCartney

WASHINGTON — The East German government, which is allowing record numbers of its citizens to visit West Germany, is relieved that they are returning home but faces the prospect that the freer travel policy could be destabilizing by whetting desires for additional liberties.

In the past two years, for the first time since the Berlin Wall was built in 1961, East German citizens below retirement age have been allowed to travel to West Germany and West Berlin for as long as two weeks at a time to visit relatives.

Previously, the East German government forced all citizens, with few exceptions, to wait until they retired before granting them permission to travel to the West. The authorities feared that people would not return after passing beyond the concrete and barbed-wire border barriers and that the society would lose the skilled workers that it needed.

The response to the easing of restrictions has been overwhelming. There have been about 1.7 million visits to the West by persons below retirement age in the past two years, a number that surpasses the combined total of such trips from the preceding 24 years, according to West German government figures.

The government also is allowing more trips to the West by retired persons, and the number of such visits rose 25 percent in 1987 to 2.2 million. It is estimated that about one out of every six or seven East Germans visited West Germany or West Berlin last year.

The much-feared "brain drain" has not occurred. More than 99.5 percent of the visitors have returned to East Germany, according to the Bonn and East Berlin governments.

But that does not mean that East Germans necessarily are enthusiastic about communism at home or disappointed by the West. A traveler below retirement age normally must leave behind a spouse, child or other close relative as collateral to ensure his return.

Moreover, the new policy apparently has failed to achieve what Western analysts believe was a top objective: to satisfy East Germans' desire for travel and, thus, to reduce the number of people who apply to leave the country permanently.

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INTERNATIONAL Herald Tribune

Gunman and Leader

Khalil al-Wazir, or Abu Jihad ("Father of the Holy War"), lived by the gun; he had one in his hand, in fact, when he was assassinated in Tunis, reportedly by the Israelis.

As the number two man in Yasser Arafat's PLO and the head of its main military arm, he qualified as a terrorist, someone using violence indiscriminately against civilians and for political effect.

A Flawed Trade Bill

Congress's Democratic leaders have decided on a blunt showdown after three years of wrangling over the foreign trade bill. They plan to send the president a final version with one controversial amendment that he flatly rejects.

Another offensive provision would limit the freedom of foreign concerns to operate in the U.S. government bond market, just when the United States needs all the foreign capital it can get.

Playing With La Prensa

One more small but pointed lesson in arbitrary power was administered by the Sandinistas the other day, and once again the victim was La Prensa. For 15 months, until last October, this vibrant opposition newspaper had been closed down, and earlier this month it was closed down again, this time ostensibly because it had used up its allotment of newsprint.

vide or to withhold. Indeed, in the fuss the other day, once some attention began to be turned to La Prensa and a private American organization offered to send down an emergency ration of newsprint, the Sandinistas suddenly came up with a supply sufficient to tide the newspaper over until its next scheduled allotment.

Other Comment

The Real Victims in the Gulf It is not the incidental damage to outsiders, who know the risks of being in the Gulf, but the attrition of hundreds of thousands of ordinary Iraqis and Iranians, who have had no choice about their exposure to war, that cries out for effective intervention.

tion in the area. Both Iraq and Iran are prizes in the geopolitical struggle being waged, but by adopting such a forward policy while failing to define its objectives America has given Moscow the advantage.

A Korean Opportunity Lost

South Korea's April 26 legislative elections will continue to find the opposition parties divided. South Korea's nascent democracy would probably benefit by having legislative checks on executive power that opposition control of the National Assembly could provide.

South Korea's April 26 legislative elections will continue to find the opposition parties divided. South Korea's nascent democracy would probably benefit by having legislative checks on executive power that opposition control of the National Assembly could provide.

Fractured Afghanistan Needs UN Help

By Selig S. Harrison

WASHINGTON — The new Afghanistan that will emerge after the Soviet withdrawal will be a minefield of dangers and uncertainties for both superpowers.

A new regime is necessary in Kabul if the withdrawal agreement is to stick.

fundamentalist factions, previously a marginal element in Afghan society, at the expense of more influential tribal forces linked with the nonfundamentalist Afghan Moslem clergy.

What appears to be emerging is a complex struggle in which fundamentalist and tribal factions fight each other as well as the Communist government in Kabul.

In my view, Moscow expects the Communists to survive as a political force. While they might not prevail, in the Soviet assessment, they will be strong enough in key cities and towns to prevent a countrywide takeover by the fundamentalists.

The unpopular Communist government has an administrative presence in only 7,000 of 26,000 Afghan villages. But to assure that it will be able to control the country, the Soviet forces begin to leave is questionable.

While the three nonfundamentalist resistance groups work closely with the Pashtun tribes, Afghanistan's dominant ethnic group, the fundamentalists are rooted primarily in the Tadjiks and other ethnic minorities.



The writer is a senior associate of the Carnegie Endowment for International Peace, and author of "In Afghanistan's Shadow." He contributed this comment to The Washington Post.

On a Kabul visit in 1984, I was reminded repeatedly that dedication and a patriotic self-image are not a monopoly of the resistance.

Soviet diplomats say Moscow would welcome a "neutral" interim coalition government dominated by centrist Afghan leaders not identified with Communists or fundamentalists.

Despite strife between their Pashtun and Khalq factions, the Communists may prove to be more disciplined and united than the resistance.

The established clergy is identified with the Hanafi school of Islamic law and various Sufi sects. The power of the local mullahs is reinforced by a symbiotic relationship with tribal chieftains.

By contrast, the fundamentalist groups, preaching more purist Islamic doctrines, are seeking to destroy the tribal system as incompatible with their concept of a centralized Islamic state.

While the three nonfundamentalist resistance groups work closely with the Pashtun tribes, Afghanistan's dominant ethnic group, the fundamentalists are rooted primarily in the Tadjiks and other ethnic minorities.

But the offer was rejected by fundamentalist leaders, who demanded a government under their aegis with no Communist participation.

Siding with fundamentalist leaders in resistance power struggles, Pakistan has blocked efforts by Zahir Shah's supporters among the Afghan refugees to organize rallies in his favor.

Moscow, Washington, Islamabad and Kabul issued a joint declaration last week pledging to support Mr. Cordovez in a renewed effort to "facilitate" Afghan negotiations on an interim government.

have large territorial strongholds inside the country except in the Tadjik-dominated Panjshir Valley, Herat, Nangrahar and the Hazarajat region.

Numbering at most 1,100 in the early 1970s, the Afghan fundamentalists faced severe repression under King Zahir Shah and his successor, Lieutenant General Sardar Mohammed Daud.

This link made them Pakistan's favored Afghan protégés after the 1978 Communist takeover. Nurtured by aid from the United States as well as from fundamentalists in the Middle East and Pakistan, Afghan fundamentalist factions have grown to number about 15,000 activists.

Amosities dating to the Pashtun-dominated monarchy are affecting the talks on a coalition government. Fundamentalist leaders bitterly oppose any role for the ex-king in a new regime.

Until the early 19th century, Afghanistan embraced the Pashtun areas of what is now northwest Pakistan. The British Raj annexed the areas and in 1947 handed them over to the new Pakistan government.

Zahir Shah, now 73 and living in exile in Rome, ruled for 40 years until his ouster in a 1973 coup. He continues to enjoy wide popularity as the symbol of a period of relative stability.

The king's support among the Pashtun majority, including most refugees and most tribal resistance commanders, gives him a role in the formation of a coalition government. He has agreed to give a new regime his blessing if it is to be the armed forces, the secret police and some key ministries are under non-Communist control.

In July 1987, the United States and the Soviet Union approved a secret memorandum prepared by the United Nations mediator, Diego Cordovez, outlining plans for a regime that would "not be dominated by any one party."

Moscow told Mr. Cordovez that it would help bring about a coalition on Zahir Shah's terms. Mr. Cordovez then held a series of exploratory meetings with the ex-king and with other Afghans.

Australia: Hawke May Be Losing the Common Touch

By Paul Kelly

CANBERRA — Nine months after Bob Hawke won a record third term as prime minister of Australia, the climate has soured for his Labor government.

Labor has cause for alarm: Blue-collar areas are turning against it with a vengeance. And Bob Hawke's electoral magic is fading. He is increasingly criticized both inside and outside the party for being complacent and remote.

Mr. Hawke insists he will lead the party into the next general elections due in about two years. Most of the party supports this decision, but a minority wants him to retire this year in favor of Paul Keating, the treasurer.

The current trend against Labor results from economic hardship in the cities and rural areas, and the government, not from any newfound confidence in the opposition.

Two recent federal by-elections revealed a swing against Labor of about 10 percent. This was reinforced

by the defeat of the state Labor government in New South Wales, Australia's biggest state and the party's traditional stronghold. Labor candidates there received 9 percent fewer votes than in the last election.

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country's large external debt over the next few years, then reduce it. The government's political strategy has been to manage the balance of payments problem by seeking "restraint with equity."

Yet the "restraint with equity" theme is now largely discredited. The government is widely seen as unearing about the people's problems.

Mr. Hawke and Mr. Keating have ruled out any weakening in economic policy, but they do have said that the days of continued real wage cuts are over.

General elections are still far away. Labor's best prospect lies in continued opposition disunity. The Liberal and National parties have revived last year's split over introducing indirect taxation. Nobody can be sure that they will not self-destruct again.

The writer is the national political columnist for The Australian newspaper. He contributed this comment to The International Herald Tribune.

New Zealand: Labor at Its Own Throat

By Colin James

WELLINGTON, New Zealand — After pushing through radical reforms in the last few years, the Labor government in New Zealand has finally exhausted its supply of voter good will.

form proposals including the introduction of a flat-rate income tax of 23 percent, low for New Zealand. The announcement was made by Mr. Douglas and five other ministers.

The idea of a flat tax cut across the grain of Labor Party ideology, which demands a progressive income tax as a means of redistributing income.

In February, as part of its assets self-off, the government said the state-owned Petroleum Corp. of New Zealand would be sold to British Gas.

Registered unemployment, now at a 50-year high of 7 percent of the work force, is rising rapidly. Interest rates for home loans are around 17 percent. But interest rates and the inflation rate are coming down.

Much of the damage to the government was self-inflicted: it has been wracked by dissension recently. This began with an announcement in December of a series of economic re-

mounted a campaign of protest marches and strikes. The legislation was passed late last month, but only after many changes. Foreign Minister Russell Marshall objected to big staff cuts, saying the reorganization of the state sector had to stop.

Mr. Douglas had been pushing hard for improved efficiency in social spending, and some Labor supporters feared the government intended to apply free-market economic principles to welfare policy.

A consultative committee's recommendations for major changes in health administration, made in a report this month, provoked heated debate. Other reports, on education and on social policy, are due next month.

But criticism has been softened by indications that social welfare programs will be tightened up without being radically restructured.

Business now worries that economic policies may be revised. But Mr. Douglas is still firmly in charge of the economy, and confidence in the government should begin to revive.

The revival would be hastened if, as most analysts expect, the current recession gives way to renewed growth this year.

Elections are not due until October 1990. The Labor government has time to recover lost ground. But it must avoid another bout of bickering or another serious economic setback.

The writer is a political analyst for The National Business Review in New Zealand. He contributed this comment to The International Herald Tribune.

to its credit, the government has adjusted to the crisis. It is widely seen as a better economic manager than its recent predecessors in office, of both the right and the left. The emphasis is on reforming attitudes and institutions to secure a more productive Australia. It will be a long battle.

The current account deficit as a proportion of gross domestic product is 4 percent, the second highest in the Organization for Economic Cooperation and Development. Labor economic policy aims to stabilize the

the real problem is policy or image. Mr. Hawke and Mr. Keating have ruled out any weakening in economic policy, but they do have said that the days of continued real wage cuts are over.

But while the process of economic adjustment in Australia is a long-term one, the current mini-boom in commodity prices is underpinning a more buoyant economy with falling interest rates, declining inflation and unemployment below 7.5 percent.

General elections are still far away. Labor's best prospect lies in continued opposition disunity. The Liberal and National parties have revived last year's split over introducing indirect taxation. Nobody can be sure that they will not self-destruct again.

The writer is the national political columnist for The Australian newspaper. He contributed this comment to The International Herald Tribune.

The Iranians Prepare the Chirac Card

By Jim Hoagland

PARIS — Promises made during the heat of a political campaign commit only those who believe them, the funniest man in French politics liked to say before he became interior minister and a key figure in the coming presidential elections here.

Mr. Pasqua is making his promises in secret negotiations between his operatives and Hezbollah, the Lebanese Shiite radical group holding French and American hostages, as well as with authorities in Tehran who control the Lebanese abduction.

The last wrangles in Istanbul when Mr. Pasqua's chief operative, Jean-Charles Marchiani, met with a high-ranking official of the Iranian Finance Ministry and was assured that the hostage release was still on track.

U.S. intelligence has been kept advised of the Marchiani mission. Two American hostages, Terry Anderson and Joseph Chippio, are said to be held with the three French hostages.

The pattern of Mr. Marchiani's contacts has established that Islamic Jihad, which purports to be a separate organization, is only a signature for Hezbollah, and that Iran's control over Hezbollah is tight.

Should democratic governments deal with terrorists to get hostages freed? Ever since Oliver North's efforts to free American hostages in Beirut went awry, Washington has sternly counseled other nations not to follow the American example.

Mr. Marchiani, a tenacious Corsican who engineered the release of two French hostages last November, has spent months meeting with the Iranians and their Lebanese protégés.

Promises made in that earlier affair, that France would immediately make a \$330 million payment on an outstanding loan and would release an Iranian Embassy official being held in Paris, were promptly carried out.

After the Istanbul meeting, Mr. Marchiani slipped back to Paris to monitor news of the Kuwaiti airliner. The apparently coincidental hijacking of a different section of Hezbollah that called for an earlier agreement, that called for the release of the hostages over to Mr. Marchiani in Beirut on April 9.

The deal negotiated in Beirut, Damascus and Istanbul over the past three weeks, as described by a source close to the negotiation, does not involve French arms shipments to Iran. But Washington fears it may involve third countries making such deliveries.

The Iranians have won a package agreement on restoring diplomatic relations with France. It calls for repayment of the final portion of the disputed \$1 billion loan plus some interest; a procedure for dealing with French business claims against Iran; and the eventual release of three men jailed here after an unsuccessful attempt in 1980 on the life of Shahpour Bakhtiar, the shah's last prime minister.

Mr. Marchiani's aim is to have the hostages home before the May 8 final bid in the presidential election, as a boost to Mr. Chirac, who now appears certain to face President François Mitterrand in the second round.

Mr. Chirac's other advisers are divided over whether a return of the hostages now will help or hurt their candidate, who has been making steady progress in the polls against the heavily favored Mr. Mitterrand.

Mr. Pasqua and Mr. Marchiani are pushing ahead on their own. If they succeed, they will have persuaded the Iranians to play the Chirac card in this election, and to play it in advance. But all the international restraints and domestic uncertainties such a deal could unleash must have Mr. Chirac wondering about the advice that warns of the dangers of having your prayers answered.

The Washington Post.

100, 75 AND 50 YEARS AGO

1888: Recalling Disraeli

LONDON — "Primrose, sweet fresh primrose" was the cry which echoed through the streets of London, from one end to the other. The city was turned into a garden of primroses, worn to commemorate the seventh anniversary of the death of Lord Beaconsfield (Benjamin Disraeli), and the air was scented with their delicate perfume.

Ladies in their carriages carried large bouquets. Men wore coats and buttonholes of the pale yellow bloom, and the flower shops were magnificent to behold, showing rich designs of the great Prime Minister's favorite flower.

1913: A Seime Tragedy

PARIS — The two children of Mme. Isadora Duncan, the famous dancer — Sadie, aged six, and Patrick, aged three and a half — and their English governess, Miss Annie Sims, were drowned when an automobile in which they were travelling fell into the Seine at Neuilly, near Paris, yesterday [April 19].

Workmen seated outside a café on the other side of the road had witnessed the scene, and one of them, a road-mender named Clairin, consciously jumped into the river and dived several times in the hope of reaching the automobile, but his efforts were in vain.

1938: Battle in China

SHANGHAI — One of the biggest battles in modern oriental history is developing in southern Shanghai, where the Japanese are concentrating for a renewed drive against Szechow key junction of China's two strategic railroads, according to reports today. One million Chinese, mostly fresh troops from the Hankow area, are being rushed to Yihai, north of the Grand Canal, while the Japanese are pouring reinforcements all along the southern border of Shanghai at the rate of several thousand daily. Their present force is said to have already attained half a million men, who will face twice as many Chinese.

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OPINION

But What Kind of Cabinet Would the Candidate Pick?

By A. M. Rosenthal

NEW YORK — Strange people, ignored on Iran-contra and even being cut off from information. Henry Kissinger and Cyrus Vance might have decided it was in the best national interest to resign, which could have changed history.

ON MY MIND

has shown that the president of the United States can be no more efficient than the talents and experience of his senior officials allow.

Almost every member of the cabinet of the United States runs an operation with more employees and a bigger budget than do the chiefs of state of most members of the United Nations.

The impact of the top people in government goes far beyond management duties, of course. The appointment, for instance, of an attorney general with deep knowledge of the law and a profound sense of American values can inspire the entire legal system and give moral purpose to the whole government.

The president sets the military, security and diplomatic agenda of the United States — at least he is supposed to. But every president seeks the advice of his secretaries of state and defense — or at least he is supposed to.

The character and attitudes of key members of the cabinet can often decide where the country goes. Secretaries George Shultz and Casper Weinberger decided it was in the country's best interests to swallow the humiliation of being

The President's Disloyalists

WHAT strikes me about the Larry Speakes affair is not that those banalities that President Reagan was said to have uttered to Mikhail Gorbachev were fabrications. What strikes me is the president's seeming indifference to what Mr. Speakes had done, and what it says about presidentiality: the necessary ability to impose discipline, to inspire loyalty, to recruit honorable and trustworthy aides and subordinates and to instruct them, if need be, on the commands of public service. The performance of "kiss and tell" disloyalists like Larry Speakes is something for voters to think about.

— Philip Geyelin, The Washington Post



Taxes Used to Be Easy

By Jack Smith

LOS ANGELES — Hal Thornton has sent me a document that ranks with a recording of Glenn Miller's "Little Brown Jug" as an evocation of a simpler time: a copy of his 1941 tax return. It is Form 1040A, for citizens whose gross income was less than \$3,000 and was only from sources stated on the form. As a chief clerk, Mr. Thornton earned

MEANWHILE \$2,316.69 that year, and had \$50 in additional income. "To a yuppie it must appear as the wages of a peon in a Third World country," he says. "Actually, for 1941 in Fairbanks, Alaska, I held an enviable job. I was newly married and there was no need for my wife to work. "We started without a nest egg but were able to buy our own log home and make the monthly payments of \$50. Our honeymoon house was a bit primi-

LETTERS TO THE EDITOR

In the Spirit of 'Salaam'

Regarding "I Don't Think We Can Coexist" (Opinion, April 6):

I read this article with much regret, for several reasons. Having Jews is not an Islamic tradition or teaching, and no greater proof of this exists. I think that the flourishing of many great Jewish minds under Islamic political systems (e.g. Maimonides in Islamic Spain).

The word salaam is not a bit of convenience that can be made with an enemy, and which may be broken. Salaam is the exact equivalent of the Hebrew shalom, carries the same connotations, and is given the same reverence, since God greets believers upon entry into Heaven with that one word.

Arabs are not all against Israel's existence. The people most affected by all this, the Palestinians, are willing as expressed by the Palestine Liberation Organization many times, to coexist with Israel, side by side, to lasting peace.

Israelis need only to adopt a more flexible approach to their much vaunted security requirements. (Of course, nobody spoke so ardently of the security of Iraq when Israel bombed its nuclear power reactor, or of Lebanon's security when Israel brazenly invaded its territory and killed unarmed civilians, or of Saudi Arabia's integrity or security when an Israeli official threatened to bomb new missile sites there.)

One must fervently wish that the people of our tinderbox region can come to terms with the spirit of salaam.

M. A. FARAHAT, Cairo.

An Anti-Hijacking Strategy

A more strenuous response to airplane hijackings is needed to prevent future terrorists from considering this method. To have commandos storm an airplane can be dangerous. Hijackers generally ask for supplies on their stops — food, fuel, water. Airport personnel could inject olethal, incapacitating gases into the airplane's air conditioning system. When all aboard are asleep, the plane could be safely stormed.

DR. H. F. MATARE, Aachen, West Germany.

Profit and the Killer Whale

Regarding "What's Up With the Killer Whales of San Diego?" (April 5):

The recent events at the Sea World marine park in San Diego — where two normally harmless whales recently attacked their trainers — are a classic example of a clash between a corporate, cost-maximizing mentality and the reality of sensitive relationships between species. Orky and Corby, two of the killer whales at the park, lived uneventfully for more than 15 years at Marineland, near Los Angeles. They displayed none of the aggression shown in San Diego.

Mr. Chiam said his sources at the Home Affairs Ministry told him that the young people were rearrested because signing the open letter violated the terms of their restriction order, which prohibits them from making public statements.

GENERAL NEWS

Singapore Rearrests 8 Political Activists

By Keith B. Richburg, Washington Post Service

MANILA — The government of Singapore on Tuesday rearrested eight political activists and church workers after they published an open letter complaining of police torture and intimidation while in jail last year.

The eight young people were arrested separately by agents of Singapore's Department of Internal Security, according to human rights activists and diplomatic sources interviewed by telephone.

A ninth man, Patrick Seong, a human rights lawyer who had helped the dissidents during their first detention last year, was also arrested, the sources said.

Chin Fook Leong, a spokesman for the Home Affairs Ministry, later confirmed the arrests.

Singapore, which generally bristles at international publicity, has been the focus of questions about human rights abuses and its intolerance of political dissent.

During an official visit to Washington last week, Prime Minister Lee Kuan Yew was repeatedly confronted with sharp criticisms of his

human rights record, including a session with a dozen American congressmen.

One Western diplomatic analyst in Singapore, interviewed by telephone, suggested that Mr. Lee may have ordered the new arrests partly as a way of showing he would not bow to the U.S. criticisms. "I wouldn't say the timing is entirely coincidental," the diplomat said.

The new arrests drew an immediate response from the leaders of Singapore's tiny political opposition and from international human rights groups that have made the detainees a focus for critical reports on Singapore.

"There's only one word for it and that's intimidation," said Joshua B. Joynt, secretary-general of the opposition Worker's Party, interviewed by telephone. "The government is angry that these people dared to speak out. This is purely terrorism, it's gangsterism — it's saying disagree with us and we'll smash your face in."

Chiam See Tong, the only opposition member of parliament, said in a telephone interview that he supported the call for an investigation, but said it should be expanded to determine whether the detainees ever should have been arrested the first time, in May of last year.

Several analysts have suggested that the government has used the act to stifle dissent in advance of elections expected this year.

The case of the dissidents began in May 1987, when Singapore rounded up 22 community workers, lawyers, members of a drama group, and Catholic church workers and accused them of being involved in a communist conspiracy. The government's accusations evoked widespread skepticism among Singaporeans and diplomatic analysts, and the arrests drew criticism from international human rights groups.

By December, all but one of the 22 were released, after they gave televised videotaped confessions.

On Monday, an unusual open letter signed by nine of the activists appeared in a Singapore newspaper. "Our sole purpose in making this statement is to clear our names," the letter said. The activists denied being communists or part of a communist conspiracy.

and said they were writing to counter the "constant barrage of government taunts" and the "bold and untruthful statements" being made about them by the government.

The nine dissidents said that while in jail last year, they were beaten on the face and other parts of their bodies, forced to stand for up to 20 hours in freezing cold rooms, and prohibited from sleeping for up to 70 hours at a time.

The dissidents were all under government "restriction orders," meaning that they were prohibited from traveling, taking jobs, or associating with others without first getting the approval of the Department of Internal Security. In the letter, the nine said they were "intimidated by implicit and explicit threats against our safety should we speak up on our arrests and detentions."

Mr. Chiam said his sources at the Home Affairs Ministry told him that the young people were rearrested because signing the open letter violated the terms of their restriction order, which prohibits them from making public statements.

Japan Lacks Evidence on Naples Blast

Agence France-Press

TOKYO — The Japanese police said Tuesday they lacked evidence that the Japanese Red Army extremist group was behind a bombing that killed five persons at a club for U.S. servicemen in Italy on Thursday.

Judging from the reports reaching Tokyo, there is not sufficient material evidence to conclude that the Red Army was responsible for the bombing, a police spokesman said. The Italian police suspect Junzo Okudaira, 39, of placing a bomb in front of the United Servicemen Organization club in Naples on Thursday.

Mr. Okudaira also is suspected of bombing the U.S. and British embassies in Rome in June. The Japanese police said it was unlikely Japanese police would have caught Mr. Okudaira if he was truly Italian knowing that he was sought by the Italian police.

A Japanese woman, Fusako Shigenobu, 43, also is suspected of being one of two accomplices of Mr. Okudaira in the club bombing.

Pretoria Details War Role in Angola

By John D. Battersby, New York Times Service

JOHANNESBURG — Breaking a long silence on the nature and extent of its military involvement in Angola, the South African Defense Force has given the first detailed account of fighting 200 miles (325 kilometers) inside Angola.

The Defense Force chief, General Jannie J. Geldenhuys, said in a briefing Monday that 3,000 South African troops in Angola already had been substantially reduced. He added that the "tactical withdrawal," announced by the military on Dec. 5, was continuing.

General Geldenhuys said that a recent flurry of diplomatic activity aimed at ending the war had not influenced the force's operations. Recent diplomatic maneuvers have involved the United States, the Soviet Union, Angola and South Africa.

On Tuesday night, Defense Force headquarters in Pretoria announced the death of a military officer in a skirmish with guerrillas of the South-West Africa People's Organization near the Angolan border. A second South African soldier was missing.

In the briefing document, General Geldenhuys gave a blow-by-blow account of fierce artillery, tank and air battles between the

towns of Maving and Cuito Cuanavale in the southeastern province of Cuanduburg.

Pretoria first acknowledged that it had entered the Angolan civil war in support of Jonas Savimbi's rebels in October.

But since then it has maintained an almost total silence on the conduct of the war, releasing only statistics of losses involving white soldiers, mainly teen-age conscripts, in the fighting against Cuban-backed Angolan troops.

"There is no point in staying put and making war just for the sake of making war," the Johannesburg Star reported General Geldenhuys as saying Monday in an apparent attempt to allay growing public disquiet at the level of South African involvement in Angola.

He added that South Africa had achieved its "primary aim" of ensuring that Mr. Savimbi's troops of the National Union for the Total Independence of Angola were not overrun to the offensive.

Pretoria's interest was that if UNITA was routed, guerrillas from SWAPO and the guerrilla African National Congress would be free to establish bases closer to the South African border.

He said UNITA, which is backed by Pretoria and armed by covert U.S. aid, had occupied pos-

sitions vacated by South African troops.

But General Geldenhuys made no reference to the statement by President Pieter W. Botha in an interview on March 8 that South African troops would not withdraw from Angola until the 37,000 Cuban mercenaries had begun leaving Angola.

General Geldenhuys said that 31 South African soldiers were killed and 90 injured from July to Feb. 25. Angola has contended that hundreds of South Africans have been killed but it has included black South African and South-West African, or Namibian, soldiers.

Military officials in Pretoria have said that they do not disclose details of black losses because of possible intimidation of the families of soldiers serving in the black battalions of the Defense Force and the semi-autonomous South-West African Territorial Force.

General Geldenhuys said 4,768 Angolans were killed in the offensive which began in July. He said that Angola had deployed about 25,000 troops, including about 1,000 Cubans.



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Market Sales table with columns for NYSE 4 a.m. volume, NYSE prev. volume, etc.

NYSE Index table with columns for High, Low, Close, Chg. listing Composite, Industrial, etc.

Tuesday's NYSE Closing logo with 'Via The Associated Press' text.

AMEX Diary table with columns for Close, Prev. listing various stocks.

NASDAQ Index table with columns for Close, Chg. listing Composite, Industrial, etc.

AMEX Most Actives table with columns for Vol., High, Low, Last, Chg. listing various stocks.

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NASDAQ Diary table with columns for Close, Prev. listing various stocks.

AMEX Stock Index table with columns for High, Low, Close, Chg. listing various stocks.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High Low Stock table with columns for Div., Yld., PE, etc. listing various stocks.

NYSE Mixed After Late Sales

NEW YORK — Prices on the New York Stock Exchange closed mixed Tuesday in moderate trading, after a rally fueled by strong corporate earnings fizzle.

12 Month High Low Stock table with columns for Div., Yld., PE, etc. listing various stocks.

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BULLETIN TO ALL AMERICANS LIVING ABROAD

Your Voice is Your Vote! As an American living abroad, you represent the values of the greatest democracy in the world.

12 Month High Low Stock table with columns for Div., Yld., PE, etc. listing various stocks.

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مكتبات الأصيل

Vertical advertisements on the right edge of the page, including 'China For T', 'N', 'The', 'Charles W. Emstein', 'Grove Street', 'Other Dollar', 'Forward Rate', 'Key Money'.

West Germany: Looking East

IN THE NEWS

Jan. 18: Soviet Minister Arrives in West Germany

The Soviet foreign minister, Eduard A. Shevardnadze, arrives in West Germany for a two-day visit highlighting improvements in East-West relations.

Jan. 22: Bonn, Paris Form Defense Council

West Germany and France set up a Council on Defense and Security for regular consultations on their growing military cooperation.

Feb. 20: Kohl, Reagan Meet

Chancellor Helmut Kohl holds talks with President Ronald Reagan in Washington in advance of the NATO summit in Brussels.



Helmut Kohl

Discussions center on the effects on NATO of the reforms in the Soviet Union and the reduction of conventional forces on the European Continent. Mr. Kohl also tells Secretary of State George P. Shultz that Bonn would accept modernization of short-range missiles that are based mainly on West German soil.

March 13: Kohl, Gorbachev Announce Summit Plans

Chancellor Helmut Kohl announces that he will visit Moscow late this year while Mikhail S. Gorbachev, the Soviet leader, announces he will go to Bonn in the first half of next year.

March 20: CDU Retains Majority in State Vote

Chancellor Helmut Kohl's Christian Democratic Union retains a majority in Baden-Württemberg's state elections.

Kohl Directs a Policy 'Balancing Act'

People are talking more openly than ever before about the fact that German reunification is out of reach for the foreseeable future.

By Henry Tanner

BERLIN — The two Germans reached an agreement late last month to exchange 18 tiny patches of uninhabited territory on the dividing line between West and East Berlin. In all, the East Germans gave up 234 acres, 29 more than the West Germans. The negotiations lasted four years.

No economic or military interests were touched, but local traffic was improved. In one place, a sidewalk was reunited with the street from which it had been separated by the boundary.

The swap reflected the excruciating slowness at which relations between the two states are evolving. It also showed, again, that even the tiniest change has far-reaching implications. It was seized upon by Tages-Spiegel, West Berlin's most respected daily, to point to the "fundamental dilemma" that the Bonn government faces in dealing with East Germany: Instead of moving toward German unity, "we are settling down as perfectly as possible in the division" between the two German states, the paper wrote in a front-page editorial.

West German politicians and newspapers have been talking more openly than ever before about the fact that German reunification is out of reach for the foreseeable future and that it will come about, if ever, only as part of an overall East-West settlement rather than through any action by the Germans themselves.

To live with this knowledge while at the same time promoting better relations with the East German regime and easing the life of the citizens in "the other Germany," is one of the main concerns of the center-right coalition government of Chancellor Helmut Kohl.

HENRY TANNER is a Paris-based correspondent for the International Herald Tribune.

Other preoccupations are: to conduct an active policy with Eastern Europe and the Soviet Union while at the same time refraining from anything that might upset the country's Western allies; to adapt to the thawing of tensions between the Soviet Union and the United States and to adjust military policies to the new vulnerability that comes with nuclear disarmament.

All this is "a balancing act," in the words of one official.

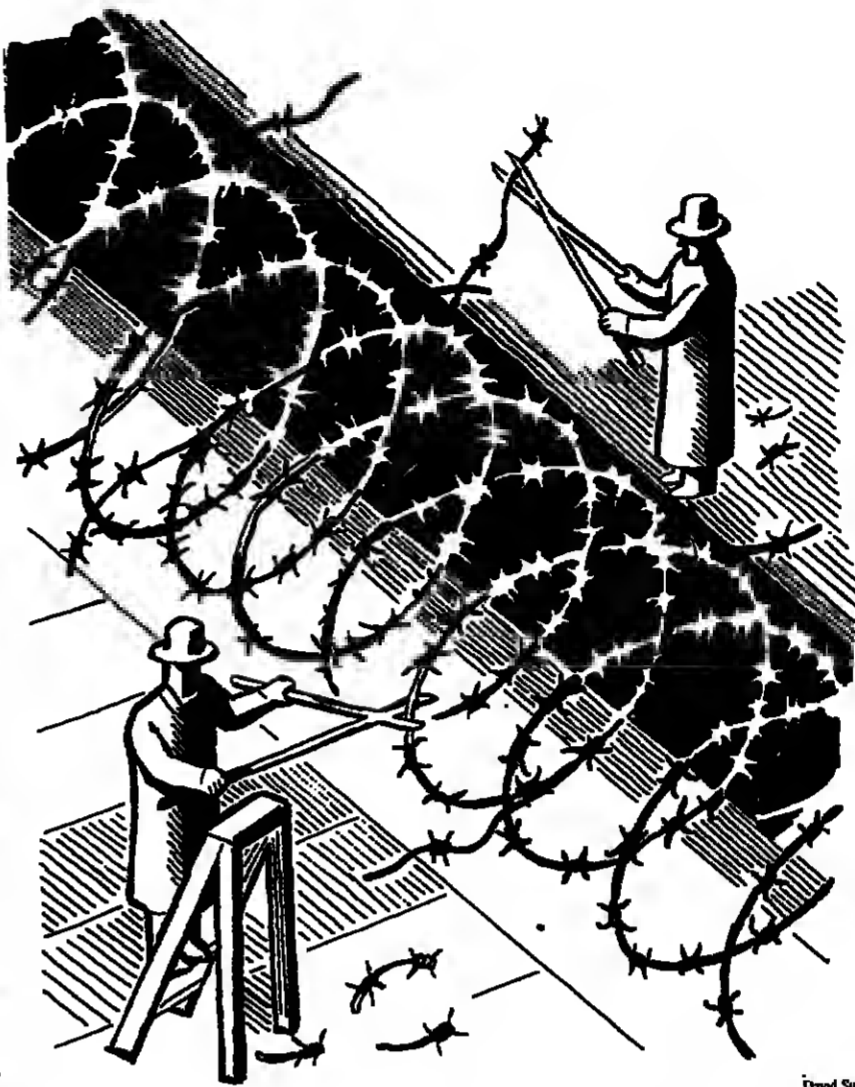
Foreign Minister Hans-Dietrich Genscher, more consistently than any other ranking Western leader, has been insisting that the West must respond positively wherever possible to the initiatives of Mikhail S. Gorbachev. Mr. Kohl, more cautious and conservative by temperament, is placing greater emphasis on the need to stay close to Washington.

In the economic field, the most pressing concern is to reverse the worrying loss of competitiveness of German industry and to start launching the social and economic changes that the country must make to remain Europe's foremost industrial power. Members of the business community and leading editors are saying that the politicians in power are not sufficiently alive to this problem.

The much postponed visit to West Germany of Erich Honecker, the East German leader, did not bring the historic changes in the German-German relationship that some had hoped for and others had feared. But West German recognition of East Germany as a separate state became more explicit.

"It was handled by both sides as a highly professional state-to-state encounter — there were no false moves," a West German official said.

Internationally, he said, the visit destroyed, or should have destroyed, whatever fears the French and others may have had about the two German states engaging in "secret diplomacy" behind the backs of their



David Soter

respective allies. It became quite clear that "we are not whispering into each others' ears or dreaming joint nationalistic dreams," he said, recalling the fears of an American colleague who had complained that the allies never know "what the Germans say to each other when they are alone."

Relations between the two states have become more routine. East Germans made an estimated five million visits to West Germany last year. The number of twin cities is

rapidly increasing — Hamburg and Dresden being the most recent ones. East German musicians and actors and directors are performing in the West, and some writers are going back and forth, a reflection of the fact that cultural exchanges are the easiest form of contact. There are frequent contacts between politicians and officials.

A wave of political unrest that erupted in

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A newly relaxed U.S. attitude toward Bonn is a reflection of election year concerns, but quarrels over telecommunications and farm policy are simmering.

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Amid labor strife and flagging negotiations, West Germans are seeking a formula for the future of the industrial heartland.

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Strife in Industry's Heartland

Steelworkers Struggle to Keep the Ruhr's Smokestacks Sparking

The opposition has called the government actions 'the sellout of an entire region.'



Steelworkers protest plan to close Rheinhausen plant.



In Duisberg, endangered smokestacks overshadow children at play.

By Ferdinand Protzman

DUISBURG — In the quiet neighborhood of Marxloh in the heart of the Ruhrgebiet, West Germany's stronghold of steel and coal, a 19th-century brick row house, blackened by decades of soot, stands as a monument to the nation's industrial revolution.

The future of this classic example of steelworker housing, which is protected as a historical landmark, is secure. The fate of the area's steel and coal industries and their thousands of workers is very much in doubt.

The strength of those industries, the pillars on which the Ruhr was built, has been badly eroded by overcapacity, rising competition from low-labor-cost nations and declining demand on the global market. The number of closed mills and mines has risen steadily despite years of cost-cutting and layoffs, and the night sky is no longer bright with the glow of blast furnaces.

The Ruhr's problems are most evident in Duisburg, whose fortunes have been tightly interwoven with steel production for over 100 years. Those fortunes have lagged badly of late. The Duisburg area has lost nearly 20,000 jobs in the past two years and unemployment is currently at 16.3 percent, well above the national rate of 9.9 percent.

Since November, the city of 600,000 has seen some of the worst labor unrest in West German history as workers protest a plan to close the Krupp steel plant in the Duisburg suburb of Rheinhausen.

On April 11, angry workers again blocked the bridge across the Rhine that connects Duisburg to Rheinhausen and its other western suburbs. But that action was minor compared with the mass demonstrations in December, when thousands of steelworkers and coal miners literally seized the Ruhr's major towns, blocking streets and cutting transportation links to draw attention to the region's plight.

The protests are focused on plans by West Germany's three leading steel companies to cooperate on production in an attempt to cut costs in the face of what they see as unfair foreign competition.

That joint announcement in late November by Fried. Krupp GmbH, Thyssen AG and Mannesmann AG came hard on the heels of an agreement between the steel unions and pro-

ducers to cut 35,000 jobs by 1989. But it was the news that Krupp Stahl AG, Krupp's steel subsidiary, would close its Rheinhausen plant that sent the workers into the streets.

"Krupp told us that the work force here would be reduced, but that the plant would stay open," one Krupp worker said. "Then they reneged on that. We know the steel industry can't go on forever. But we want them to keep this plant open until the government and the steel companies create real, lasting alternative jobs for us. That is why we are fighting to keep Rheinhausen alive."

In the wake of the protest, Krupp agreed to create substitute jobs or give early retirement benefits to all but 1,500 of its Rheinhausen employees. But the plan requires approval of the company's managing board and the IG Metall metalworkers' union and talks on the issue broke down early this month.

Economics Minister Mario Bangemann calls the restructuring of the nation's steel industry unavoidable because of the situation in the global steel market and has indicated that negotiations on renewed production quotas for European Community steelmakers scheduled for later this year will be difficult and could result in further job cuts. But Mr. Bangemann says mass layoffs will not follow.

To ease the pain of the structural transition, the government has poured more than 5 billion Deutsche marks (about \$3 billion) in subsidies into the steel industry since 1983 and plans to spend another 1.3 billion marks in social services for affected steelworkers in the next 10 years.

Opposition politicians have called the government's actions, "the sellout of an entire region," and Franz Steinkühler, the head of the metalworkers' union, which represents 95 percent of the Krupp Rheinhausen workers, says, "We are fighting against the attempt to cannibalize the restructuring, where the strong would devour the weak without consideration or mercy." But they have offered almost nothing in the way of counter-proposals.

Finding a solution and creating a solid foundation for the Ruhr's future is a German problem, but the same difficulties plague steel-producing areas throughout Europe and the United States. Besides cutting costs and reducing personnel, many steel companies have diversified into other areas or switched from producing bulk crude steel to more specialized products, such as high-alloy steels and semi-finished products.



Steel sales now account for only 27 percent of Thyssen AG's revenue, compared with 50 percent in 1972. But its Thyssen Stahl AG subsidiary posted a 223 million mark loss in fiscal 1987. The steel operations of Krupp Stahl AG and Mannesmann AG also produced heavy losses in 1987.

Berthold Beitz, Krupp's supervisory board chairman, sees Duisburg's problems in an almost philosophical light. "In Duisburg,

through a painful birth of cooperation, a new beginning for the district will be found," he said recently.

But the Ruhr's woes go beyond Duisburg. Change is also sweeping the nation's coal-mining industry, whose primary customers have traditionally been the Ruhr steel companies. Their demand for coking coal has been steadily falling, but the coal industry has also been devastated by the high per-ton price of mining German coal and a steady shift toward crude oil and natural gas as sources of energy. Dortmund, a city of 600,000 on the eastern edge of the Ruhr, once boasted more than 30 coal mines. The Minister Stein mine, the last operating coal mine in the city, closed a year ago.

The industry's steady decline has only been slowed by government subsidies, totaling 24 billion marks since 1980. Producing West German coal costs about 290 marks a ton, while on the world market, coal sells for less than 100 marks a ton. The federal government and coal-producing states pay the difference, which allows West German steel producers to buy their nation's coal.

Both government and industry realize this system is too expensive to maintain indefinitely. Heinz Horn, the managing board chairman of Ruhrkohle AG, the nation's biggest coal producer, blames the government for a lack of cohesion in its energy policy and has said his company is swamped with coal which could not be sold in a market suffering from a steadily declining demand for coke from the steel industry. After losing 220 million marks in

1986 and with another large loss expected for 1987, Ruhrkohle must continue to cut jobs and close mines, Mr. Horn said.

One day after the protests by steelworkers and miners rocked the Ruhr in December, the Bonn government, the nation's coal producers and the coal miners' union agreed to do just that. Over the coming eight years, production will be cut by 20 percent and 30,000 jobs will be eliminated. Production will be reduced by between 13 million tons and 15 million tons by 1995. West Germany's 157,800 coal miners produced 77 million tons of coal in 1987, down from 83 million tons in 1986.

The federal and state governments have tried to provide some relief for the Ruhr. On Feb. 24, government, corporate and union officials agreed to a 1 billion mark package of aid for West Germany's rust-bucket industrial areas. The lion's share of the money will go to North-Rhine Westphalia, the nation's most populous state, whose heartland is the Ruhr. The federal government will provide 400 million marks, the European Community 100 million marks and the various states will scrape up another 500 million marks. The package includes plans to make Duisburg a duty-free port, to locate a new federal space center in North-Rhine Westphalia and for the Bundespost, the West German post office, to increase its investment in the state.

But few concrete details have been announced and some critics say the plan is inadequate. They are particularly skeptical about making Duisburg a duty-free port, since that status will only apply to 150,000 square meters

(1,614 million square feet) of the harbor area's 7.3 million square meters. "The duty-free port status alone will do little to produce a noticeable enlivening of either the port or the domestic economy," was the verdict in a report by the Ifo economic research institute in Munich.

More money is unlikely to be forthcoming from Chancellor Helmut Kohl's conservative coalition government. Mr. Bangemann has said he would like to see the level of government subsidies to all industries reduced by about 20 billion marks from their current level of 45 billion marks. Coal and steel subsidies should be reduced to a level where they are "bearable without being too painful for those being affected," he said.

The Ruhr's outlook is also clouded by shifting demographics. North-Rhine Westphalia currently has some 16.7 million inhabitants, but a recent survey by the state government projected that the total will fall to 14.7 million persons by the year 2015. The number of children and youths will decline by one-third, while the number of retirees will grow by 25 percent. And the number of ethnic Germans will decline, while the number of foreigners will climb from 1.3 million persons to about 1.9 million.

This means that in addition to the industrial restructuring, some major social shifts lie ahead.

FERDINAND PROTZMAN is the International Herald Tribune's correspondent in Frankfurt.

Will the 1990s be the German decade?

VEBA 1987: Successful in Private Hands

Performance 1987

| Consolidated Figures | 1987 | 1986 | Change |
|----------------------|--------------|--------------|---------|
| Group external sales | DM 40,065 mn | DM 40,138 mn | - 0.2% |
| Group net income | DM 943 mn | DM 919 mn | + 2.6% |
| Capital spending | DM 4,400 mn | DM 3,622 mn | + 21.4% |
| Total staff | 74,130 | 69,734 | + 6.3% |

600,000 Shareholders

VEBA was fully privatized in March 1987 and is at present owned by more than 600,000 shareholders including 90% small investors and 35,000 VEBA employees. One third of VEBA's capital stock is foreign-held.

Once More Favorable Results

The Group's net income rose once more against the preceding year although sales remained unchanged. The (preliminary) earnings per share using the new DVFA formula came to DM 24.00. The favorable development of earnings will once again make it possible to pay out a dividend of DM 10.00.

New Equity Interests

With the acquisition of the chemical

and plastics operations of DYNAMIT NOBEL AG, HÜLS has taken a decisive step forward: the move into lines of business with growth potential. Braunschweigische Kohlen-Bergwerke AG (BKB) is now almost wholly owned by PREUSSENELEKTRA. The STINNES subsidiary RHENUS significantly reinforced its market position through the acquisition of the forwarders Gebr. Weichert. VEBA took a 12.5% interest in HAPAG-LLOYD. Also worth mentioning: RUHRGLAS was sold.

Highlights of the Divisions

PREUSSENELEKTRA held its electricity prices constant for the fifth consecutive year and achieved good results despite high depreciation charges on new power plants. Having realized its capital spending for environmental protection ahead of the

deadline, VKR has strengthened its leading position as a company using domestic hard coal for electricity generation. New discoveries made by DEMINEX increased VEBA OEL's oil reserves; in crude oil refining, the company maintained its position. HÜLS recorded brisk demand at home and abroad and achieved another increase in profits. The trading companies STINNES and RAAB KARCHER reported favorable earnings and improved their market position. Large amounts were invested; besides the electricity division, capital spending focuses increasingly on the chemical sector. Plans are to invest DM 20 billion during the next five years to further the future of the Group.

Outlook 1988

Judging by the business development so far, VEBA's shareholders can anticipate good results again in 1988.

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After Winter of Discontent, Demands on Bonn Easing

By Reginald Dale

WITH the mild spring weather, West Germany has won a respite from the stormy international onslaught on its economic and financial policies that gathered strength last fall as the world economy appeared to be on the brink of foundering.

To their evident irritation, the country's economic and monetary authorities have had to spend much of the last few months fending off foreign criticism that they were not ready to pull their weight in international efforts to keep Western prosperity afloat by giving an extra boost to the German economy.

To many of its partners, West Germany's unyielding attitude appeared to reflect the view that it need not do anything to add buoyancy because its end of the ship was not sinking. At least for the time being, however, the angry mutual recriminations have receded.

"The pressure on Germany has eased," said J. Paul Horne, Smith Barney's Paris-based international economist. But, he warned, "it could start again."

Washington began the assault, with bitter criticism of German monetary policies by Treasury Secretary James A. Baker 3d just before and again after last October's stock market crash.

Indeed, to many analysts, the outbreak of open tension between the United States and West Germany contributed at least to the timing, if not the extent, of the crash. It drew dramatic attention to the flimsiness of international efforts to solve the world's mounting economic problems.

Economists and officials from other governments, mainly in Western Europe, quickly took up the refrain. By late fall, the agonized debate on the future of the Western economy that the crash provoked was peppered with references to German "intransigence," even "selfishness," for refusing to boost growth to help its partners.

In late October, private analysts in Europe were warning that if West Germany turned a deaf ear to appeals for international cooperation, it could provoke a fresh currency and financial crisis, if not world recession.

By December, Bonn felt so beleaguered that it took the unusual step of publicly amending the Paris-based Organization for Economic Cooperation and Development for describing the German growth performance as "unsatisfactory" in its annual economic outlook.

Shortly thereafter, however, the atmosphere began to improve, with the publication of a joint communiqué by the Group of Seven countries — the United States, Japan, West Germany, France, Britain, Italy and Canada — reaffirming their determination to coordinate their economic and financial policies.

Since then, in meetings of senior officials, Washington and Bonn have shaken hands and more or less made up, and the international clamor has quieted down.

"People are starting to believe the German government when it says it can't do any more, that there is not much point in carrying on bashing them," said Patrick Foley, deputy chief economist at London's Lloyds Bank.

Jean-Claude Paye, the secretary-general of the OECD, took a placatory line in a recent interview. West Germany "has probably not done as much as it can," he said. "But then, has any country ever done everything it could, when it should?"

It is not that the problem has been solved. The West German growth rate is still looking painfully slow. Last week, Finance Minister Gerhard Stoltenberg said that he now expects growth of at least 2 percent this year, against an earlier government forecast of 1.5 to 2 percent. Many private economists, however, believe that the figure will be nearer 1 percent.

Most economists in other countries, and some in West

How Partners Kept the Pressure On

OCTOBER:

Shortly before the Oct. 19 stock market crash, U.S. Treasury Secretary James A. Baker 3d issues sharp criticism of West Germany's refusal to lower interest rates. The outbreak of open tension between the two countries is viewed as a major factor in the timing of the market fall. Private analysts in Europe later warn continued inaction could provoke a second crisis.



James A. Baker 3d

NOVEMBER:

In Western Europe, economists and officials lash out at West German "intransigence" and "selfishness" for refusing to boost growth to help its partners.



Gerhard Stoltenberg

DECEMBER:

The Organization for Economic Cooperation and Development describes West German growth performance as "unsatisfactory" in its annual economic outlook, drawing a sharp response from Bonn. But tensions ease after a joint communiqué by the Group of Seven countries — the United States, Japan, Germany, France, Britain, Italy and Canada — reaffirms their determination to coordinate economic and financial policies.



Jean-Claude Paye

JANUARY:

At the annual World Economic Forum in Davos, Switzerland, Hans Tietmeyer, the West German Finance Ministry's state secretary, argues that his country had done its part in aiding economic adjustment by allowing a strong increase in its budget deficit over the past two years.

FEBRUARY:

A Washington meeting between the U.S. treasury secretary and West Germany's finance minister, Gerhard Stoltenberg, ends cordially. Both officials say a new sense of economic cooperation is working well. Two weeks later, President Ronald Reagan tells Chancellor Helmut Kohl that he supports Mr. Kohl's efforts to stimulate the economy and hopes he will do more.

MARCH:

With hopes for economic expansion through fiscal and monetary measures stalled by West Germany's inaction, the secretary-general of the OECD, Jean-Claude Paye, begins a push for structural reform. Economists and government officials believe the approach may succeed in drawing more growth out of the German economy.

Germany, are still convinced that the country must grow faster. They say that this is necessary both to allow West Germany's European partners to expand their own economies and to help correct the U.S. trade deficit by reducing the German surplus.

And, the argument goes, stronger growth would also be in West Germany's direct interest. It would provide German companies with new domestic sales opportunities as their products come under pressure in world markets owing to the rise of the Deutsche mark against the dollar. That, in turn, would give German companies greater incentive to increase their current low levels of investment.

Two developments, however, have helped to take the heat out of the debate. First, West Germany's vigorous defense of its policies since October has finally begun to convince its critics that it is counterproductive to keep up the pressure, given that neither the government in Bonn

nor the Frankfurt-based central bank, the Bundesbank, is going to budge.

West Germany has contended that it is already doing as much as it can to stimulate growth, with a public-sector deficit proportionately well above those of the United States and Japan, and that if it tried to do more, it would risk igniting a burst of destructive inflation.

Secondly, the immediate postcrash hysteria has dissipated as stock and currency markets have found a precarious stability; and the world economy has, so far at least, survived the worst. Very slowly — too slowly, in the view of many experts — the economic imbalances that helped to cause the crash are being adjusted.

"The United States is hoping that the dollar has now come down enough to correct the trade deficit," Mr. Foley said. "So U.S. spokesmen have stopped, telling other countries, meaning Germany, to do more."

But he and other economists also believe that the

pressure could easily return, and not just from the United States. France, in particular, has for many months been chafing at the low German growth rate, which puts a similar cap on French expansion.

Unless West Germany grows faster, France cannot expand without drawing in German imports and risking a balance of payments and currency crisis. One way out for France would be to devalue the franc. But the conservative government of Prime Minister Jacques Chirac has adamantly resisted such a move, which would be widely interpreted as a sign of weakness, before the presidential elections that begin later this month.

After the elections, it may well be a different story. Numerous analysts expect the new French administration to confront West Germany with a choice between expanding its economy and a major realignment of exchange rates in the European Monetary System. Such a realignment would make German exports even more expensive by revaluing the mark against the other EMS currencies.

"The sluggish performance of the German economy will present the EMS with its greatest test to date," in the coming months, the American Express Bank said recently, echoing the view of many European economists.

"The effect of the EMS in recent years has been to increase the German trade surplus [by keeping the mark undervalued] and to lower inflation elsewhere. Now that inflation is down in most countries [and close to German levels] and now that Germany's surplus is high, a strategic revision of the economic objectives of EMS countries may be expected," the bank said in its February review of the German economy.

"If German growth remains slow, then its EMS partners may choose to force a substantial currency realignment in order to allow a loosening of policy. A major realignment would further worsen the outlook for Germany," the bank concluded.

MANY economists are inclined to accept the German argument that it is difficult to stimulate growth further by conventional means, such as tax and interest rate cuts. "Does the German consumer need another car, another house?" asked Mr. Horne.

But they would also argue that much could be done to loosen the rigid structural barriers that hold back German expansion.

"The German economy is one of the most regulated in Europe," Mr. Horne said. "The labor market is stiff and unadaptive and industry is still heavily subsidized."

Mr. Paye would like to confront the German growth problem by tackling these so-called rigidities at next month's annual ministerial meeting of the OECD in Paris. He hopes that West Germany can be persuaded of the need for structural reform if it is part of a much-needed, wider European effort.

Others, like Mr. Foley, believe that structural change will take too long and that West Germany will ultimately have no alternative but "to grasp the nettle of running an even larger budget deficit," at least for a while.

The German economy is "the poor performer of the 1980s," Mr. Foley said.

Meanwhile, many analysts think that Washington could quickly return to the warpath, particularly if the dollar starts to slide again.

"If German growth slows down, and the dollar weakens, there will be renewed pressure from Washington on Bonn to do something," Mr. Horne said.

"Some time," he said "the market will realize that the dollar has not fallen enough to correct the U.S. trade deficit, there will be a bout of pressure on the dollar, and then U.S. spokesmen will be back again calling for German expansion."

REGINALD DALE is the International Herald Tribune's economics correspondent.

Stability Key To Vitality Of Economy

By Edzard Reiter

STUTTGART — Businessmen are known to have a natural penchant for complaining, so one might be tempted to assume — erroneously — that they are afraid of change and are clinging to the status quo. In fact, the great majority of them are capable of adjusting their operations to changing circumstances if necessary, as they have shown since the events of last October.

Complaints about the instability of the international financial markets are still numerous and just-

COMMENTARY

fied. But there are growing signs that the monetary turbulence around the world may prove to be less disruptive than had been feared.

European industries are endeavoring to change their internal structures in preparation for the creation of the unified internal market that is due in 1992. It is hoped that these restructuring efforts will bring a considerable acceleration of growth. But let us not forget that industrial restructuring alone is no cure. Political habits, too, will have to change. The parochialism that is still the fashion in most of Europe is an anachronism that cannot be ended fast enough.

German enterprises, moreover, are taking advantage of the new climate of East-West détente and are seeking to develop their trade with Eastern Europe and the Soviet Union.

Faced with a continuously low dollar, European industries will be able to remain competitive only if they find a way to reduce their costs. This has become an issue of vivid public debate in West Germany. Some hopeful signs have emerged on all sides. I am personally more confident than in the past that industry and the unions will be able to agree on reasonable compromises. German labor unions, over the years, have always been willing to accept reality. And management has been reasonable enough not to make excessive demands.

On balance, I am confident that the German economy will be able to maintain its vitality even at the present level of the dollar. As 1992 approaches, there are signs that many members of the German business and industrial community are changing the way they look at the world. With the new outlook has come an increased confidence that they will be able to cope with the challenges they are facing.

This does not change the fact that the instability of the financial markets is exacting a high economic and social price.

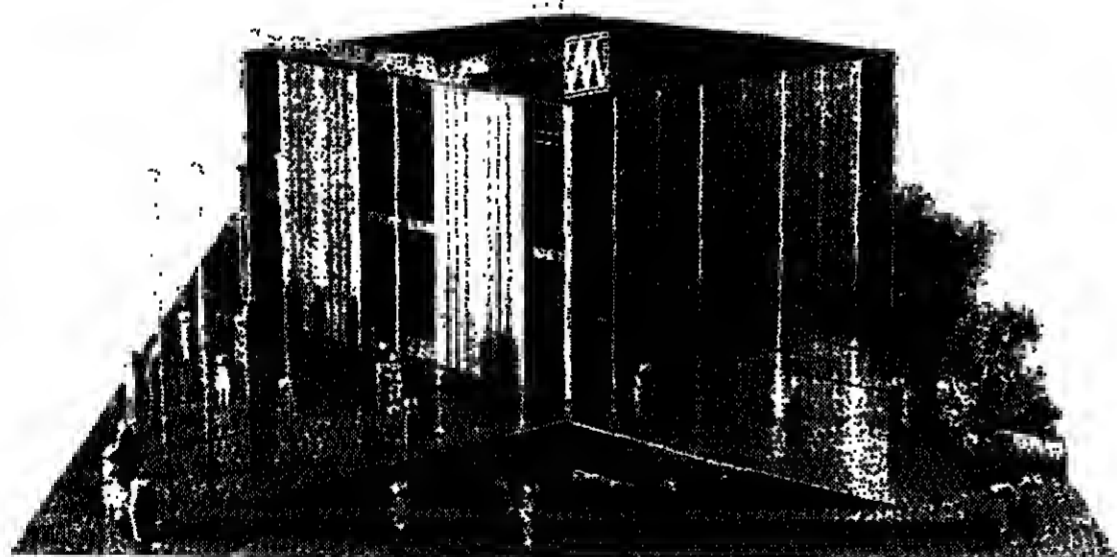
Unpredictably erratic currency movements are reducing the growth potential of Western industries because they make it impossible for many enterprises, particularly the smaller ones, to recognize and exploit any chances for expansion that may exist beyond their national borders. Stability, therefore, must be the prime objective of the economic policy of the world powers.

EDZARD REITER is the managing board chairman of Daimler-Benz AG.

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Economic Turnabout

A Sluggish Economy Churns Up Pleasant Surprises

By Edward Roby

FRANKFURT — The sluggish West German economy, only recently the favorite whipping boy of growth-oriented U.S. policy makers, has been churning up nothing but pleasant surprises lately.

The economy expanded an estimated 2.5 percent in real terms in the last quarter of 1987 and the trend continued into the first quarter of this year. Industrial orders were up a real 4 percent in January from December and industrial output rose in January and February. West German exports, which grew by about 3 percent in volume in all of 1987, surged a real 7.5 percent in the fourth quarter, compared with that period a year earlier. And private consumption, spurred along by a large tax cut and steadily rising real income, continues to run strong.

An IFO-Institute survey of 360 companies this year revealed that business confidence is returning as the market crash of last autumn recedes into memory. Corporate earnings have risen, and even corporate investment, the mainstay of the country's vast capital goods industry, is showing signs of revival.

All of this contrasts sharply with the doomsday morale that prevailed after the crash. And it marks a sharp improvement from the situation only a year earlier, when West German exports and output collapsed in the fourth quarter of 1986 and the first quarter of 1987 under the spell of a freefalling dollar.

Suddenly, the modest forecast of Chancellor Helmut Kohl's government for 1.5 percent to 2 percent real GNP growth on 1988 seems to be well within reach.

Even Finance Minister Gerhard Stoltenberg, a man of caution and understatement, proudly proclaimed on his departure for the April Group of Seven meeting in Washington that the West German economy was currently in a growth trend of "more than 2 percent."

And the Bundesbank's president, Karl Otto Pöhl, said he expected moderate GNP growth matching the government's projection. He called the danger to the world economy from the market upheaval "not unfounded, but exaggerated."

"The economy is performing better than had been expected, and this is not just the result of favorable weather," said Deutsche Bank senior economist, Norbert Walter, endorsing the prevailing growth expectations on the basis of continuing brisk demand for goods and services. Commerzbank's chief economist, Ulrich Ramm, also described the outlook as "very good."

"We hit the trough of pessimism in December, when we regarded the growth forecast of 1.5 percent to 2 percent as very optimistic," Mr. Ramm said. "When we consider it to be achievable."

"The winter, in contrast to last year's, was very mild. Economic performance over the past six months—the fourth quarter of 1987 and the first quarter of this year—has been better than anticipated."

Both Mr. Walter and Mr. Ramm said they viewed another potential shift in currency exchange rates as the main threat to West Germany's export-oriented economy this year but both said they believed the dollar was more likely to remain relatively stable against the Deutsche mark in the near term.

These economists also ruled out any immediate possibility of a recession, either in the United States or in West Germany. And they saw no particular threat to the economy from a rise in interest rates, which have apparently stabilized at a low level.

Gert Schmidt, deputy director of Düsseldorf's Industrie- und Handelsbank AG Deutsche Industriebank, dismissed the possibility that the current uptrend could be no more than a flash in the pan caused by the stimulatory measures taken by the leading central banks to revive the financial markets from the shock of Black Monday. The economy's first-quarter performance was

good and the positive numbers are real, he said. The 14 billion Deutsche mark (\$8.235 billion) tax reduction that took effect at the start of the year is helping the economy digest the bulge in business inventories that built up in the fourth quarter. And West Germany's terms of trade, which produced last year's record 117.5 billion mark trade

percent within the European Community with its linked currencies. The German trade surplus has been widening in Europe and shrinking in the dollar area, which accounted for only 18 percent of exports last year.

German exporters can only profit from stronger-than-expected growth shaping up in major foreign markets like the United States and several other countries. Under the circumstances, Mr. Schmidt described his bank as "about 80 percent optimistic." But he conceded the relatively favorable scenario "hangs from a single thread." And that, he said, is the prevailing assumption in West Germany that the disappointing 513.83 billion U.S. February trade deficit just announced is an isolated incident on the bumpy trail toward external adjustment.

He said he thought the United States could whittle its deficit down to single-digit billions by the end of the year. But if this progress fails to materialize, the next U.S. administration might feel compelled to let the dollar slide. In the longer term, any such devaluation would be bound to hurt West Germany.

Strong export performance, currency stability and only modest increases in import prices should combine this year to produce a West German trade surplus that will be only slightly smaller than last year's, leading banks and forecasters believe. And the surplus will continue to decline in real terms as the volume of imports and exports converge slightly.

Mr. Schmidt said his bank projects that the West German current account surplus could contract to around 65 billion marks, hurt by trade in services and uncompensated transfers to the EC. This would compare with a current account surplus of 79.5 billion marks last year after a record 82.4 billion marks in 1986.

No one disputes the accumulating evidence that the West German economy is firmly on a growth track for the time being. Even the Americans have muted their de-

mands for stimulatory measures, now that the West German tax reform program seems to be in place. But there are those Cassandras who still cast a wary backward glance toward the ominous market quake of last October and wonder how long the current sense of well-being can last.

A world awash in liquidity, they warn, is easy prey for inflation should commodity prices strengthen. And rising rates, a threat in the United States because it must borrow heavily to finance its deficits, could also pose problems for West Germany in the event of a stable dollar-mark rate because the country's current securities yields are too low to prevent an exodus of investment capital without the prospect of currency exchange gains.

Many of the same institutions that now see progress in the economy of goods and services are also predicting difficult times ahead for the country's financial markets.

Bayerische Hypothekbank and Westfälische Bank, in a 1988 economic forecast issued in March, saw subtle danger signals flashing on the horizon: weakening capital investment in Europe, flagging domestic demand in the United States and a return of inflation.

"The world economy at present is not unlike a sportsman who used drugs to boost his performance and whose energy is now nearly exhausted," Hypo Bank said. "The growing risks in the world economy can, in the final analysis, be put down to central banks' permissiveness in allowing unproductive government debt to explode and financial markets to balloon."

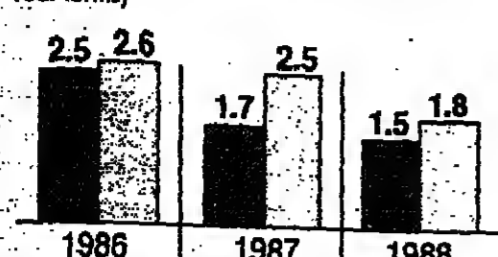
Many economists believe the central banks, including the Bundesbank, have already exhausted whatever maneuvering room they might have had to cope with a potential threat of inflation.

EDWARD ROBY is the English-language editor of Vereinigte Wirtschaftsdienste GmbH, a West German economics agency based in Frankfurt.

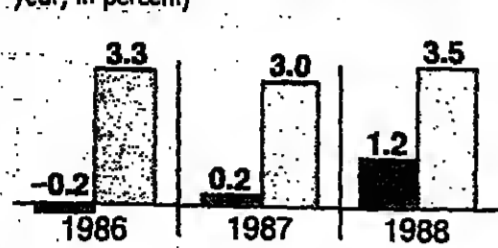
Key Indicators

West Germany European Community

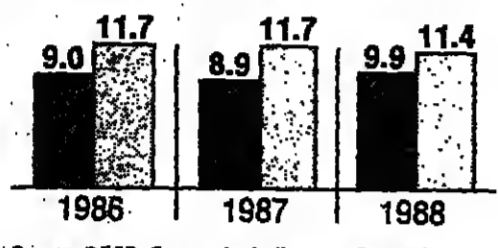
Gross Domestic Product



Inflation Rates



Unemployment



Sources: OECD, Commerzbank, European Community

Exporters Absorb Blows And Come Roaring Back

FRANKFURT — The ouster of Peter W. Schutz as chairman of Porsche AG a few months ago was read in some quarters as a signal that the collapse of the dollar was finally putting grit into the gears of the mighty West German export machine.

Mr. Schutz, whose aggressive U.S. marketing strategy had hiked Porsche's sales by an average annual 25 percent in the five years ending mid-1986, apparently fell victim to the dramatic shift in currency exchange rates, in which the dollar lost more than half its value since early 1985 against the Deutsche mark.

Porsche's turnover, 81 percent of it derived from export sales, slipped 4 percent in the fiscal year ended July 31, 1987, and the company slashed its common stock dividend by one-third to 10 marks (\$6) a share.

Renewed turbulence on the foreign exchange market starting with last October's market crash then led to a nearly 30 percent drop in deliveries of some models in the U.S. market on which the sports car maker depends for around 60 percent of its sales. Turnover in the first half of the current year plunged 14.5 percent, idling capacity this year at the company's Zuffenhausen plant and forcing management to rethink its strategy.

But the dilemma of Porsche, a mid-sized company

Export industries lost little through price competition.

United States and other countries that peg their currencies to the softer dollar.

West German industry, meanwhile, reaps full benefit from cheaper, dollar-denominated raw material imports. And quickening growth in major foreign markets like Britain and the United States simply mean a bigger appetite for West German goods. This favorable constellation of factors re-emerged in the first quarter for West Germany's leading exporting industries: machinery, automobiles and chemicals.

A case in point is Bayer AG, one of West Germany's three major chemical companies, which is already predicting "good results" and a possible increase in production on the basis of strong first-quarter sales and incoming orders. The company, which does around 60 percent of its business in Western Europe, derived only 18 percent of its global sales of 37.1 billion marks last year from North America, a company spokesman, Friedrich Gottschalk, said.

But, he said, 90 percent of the North American turnover is generated from production that is done locally and the lower dollar has permitted the company's U.S. group to increase its own exports to the Far East, Latin America and even to Europe. Exports now account for 15 percent of the turnover of Bayer's U.S. group of companies.

The West German chemical giant is stepping right along with the recent U.S. export boom, on which the Reagan administration is pinning its hopes for redressing the bulging trade deficit. So is its competitor Hoechst, which boosted its global turnover by 11.2 percent to 37 billion marks by acquiring the profitable Celanese Corp. last year in one of the biggest takeovers on the American corporate scene.

The chemical industry offers an excellent example of how German industry, in general, positions itself to make the best of shifting patterns of international trade. Companies that staked out a U.S. market share for their exports when the dollar was high rarely packed up and left when exchange rates turned against them. They were more inclined to just expand their local production base.

The cheaper dollar, to the extent that it compounded the weakness of oil, feedstock and raw material prices, was a special blessing for the chemical industry from the standpoint of production costs.

"These are all factors showing we haven't suffered from the lower dollar," said Mr. Gottschalk. Even BASF, the one member of the big three with a significant oil refining operation that was hurt by lower prices, has said this month that 1988 has so far "significantly topped our expectations." Export deliveries, in particular, are up and the order backlog has hit a new high, the company said.

A Commerzbank study this month said the chemical industry's exports were up 8.8 percent in the last quarter from the year earlier and that production should rise 3 percent in 1988, against an increase of 2.5 percent in 1987.

The German machinery industry has just come through a couple of difficult years and is taking a wait-and-see attitude about 1988. Capacity utilization dipped last year to 83.8 percent from 86 percent in 1986 and the association of the German machinery and engineering industry (VDMA) is bracing for a real decline in production this year of 2 percent after a drop of 1.7 percent last year.

VDMA's president, Frank Paetzold, told reporters last month that the fall of the dollar not only hurt the industry's exports but made competing imports a bargain.

With the exception of Porsche, the German automotive industry has been much more successful with its exports in the past couple of years than the machinery industry. Rising European sales last year made up for a sharp, currency-influenced drop in deliveries to North America, and developments in the European export market are likely to be decisive for the German car makers again this year.

Based on volume rather than price, West German exports rose around 3 percent last year and leading banks and forecasters are looking for a similar real increase in 1988.

Edward Roby

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Key Indicators

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Minority Emigration

Kohl Directs Eastern Policy 'Balancing Act'

Continued from page 9

East Berlin shortly after the Honecker visit has complicated but not seriously perturbed these exchanges.

The priority of Bonn's "inner-German" policy is not to embarrass the East German authorities, officials say, but to make life easier for the mass of East German citizens and permit the further easing of travel restrictions.

"This means making concessions; sometimes we are not raising our voice when perhaps we should," an official said, discussing the Honecker regime's crackdown on dissidents. There have been remarkably few public objections to this policy.

On the contrary, support for a moderate Ostpolitik has been growing on the political right.

Heiner Geissler, the secretary of Chancellor Kohl's Christian Democratic Party, is the author of a policy paper that says, among other things, that "German unity can be reached only in agreement with [Germany's] neighbors to the east and west" and as part of an overall settlement of the East-West conflict.

The draft has been challenged by hardliners within the party but is likely to be adopted by the next party congress in June. When the minister for inner-German affairs, Dorothee Wilms, used similar language in a speech in Paris, she was attacked by editorialists of the Frankfurter Allgemeine Zeitung, the influential and increasingly conservative daily, but surprisingly few others.

The trend toward the center is not confined to Ostpolitik.

Mr. Geissler and Norbert Blum, the minister of labor and social affairs, have been trying to lead the Christian Democrats toward the center also on social policy. They have been campaigning for bigger social security benefits and other social issues in an attempt to win new voters on the left of the party's traditional backers among farmers and members of the middle class.

On the left, it is the opposition Social Democrats that have been adopting centrist positions. In an attempt to widen their appeal beyond the blue-collar workers that have long formed their core electorate.

The Socialist premier of Saarland, Oskar Lafontaine, has shocked both the labor unions and his own party, of which he is a deputy leader, by suggesting that wage earners who obtained a new contract reducing their working hours should agree to cut their wages in return. This, he argues, is the only way in which the shorter work week that is sought by the unions will create new jobs and reduce the number of 2.5 million unemployed.

The unions cried "treason" and "stab in the back" when Mr. Lafontaine made his proposal in the middle of crucial union-management negotiations. Employers and some rightist politicians applauded.

The controversy could be the beginning of a lasting divorce between the Social Democrats and the unions. Mr. Lafontaine has been identified with the left wing of his party. He won attention internationally some years ago when he led the Socialist opposition to the stationing of American Pershing 11 missiles and advocated the withdrawal of West Germany from the military organization of the North Atlantic Treaty Organization. He may be the Socialist candidate for chancellor in the next national election.



A grave marker stands before the Berlin Wall.

Photo: Moczymski/Hulton Library

Mr. Lafontaine is given credit for having touched off a long-overdue public debate on the state of the West German economy.

Many business leaders and independent economists believe that the economy is in deep trouble — not just because the dollar is weak but for more fundamental reasons involving industrial structures and even national attitudes.

"We are pricing ourselves out of the market," a banker said, citing an array of reasons, including the high cost of labor, high taxes, slow growth, stifling regulations and outdated social customs such as lack of flexibility and mobility.

A leading industrialist said that it was unrealistic to think that the unemployment rate "will come down in the foreseeable future." He urged a major effort to create vast new service industries, a sector in which the Germans are far behind their competitors.

Helped by modern technology and with the coming of an integrated European market in mind, German industrialists have been shifting an increasing part of their production facilities to countries where labor is cheaper, notably Spain, Italy and Britain, a businessman said.

"The economic miracle is over; we may not yet be the 'sick man of Europe' but we stopped being its 'locomotive' long ago, and the only people who don't know it are the Germans," said an editor, deploring the tendency of German politicians to ignore the difficult economic questions.

Economic policy is likely to be the most important issue on the agenda when Mr. Kohl calls on Mr. Gorbachev in Moscow in September, German officials believe.

Contrary to some recent speculation, these officials do not expect the Soviets to "play the German card," in the form of a spectacular attempt to obtain the neutralization

of Germany by holding out the promise of German reunification or even only a confederation between the two German states.

Mr. Gorbachev, they reason, has embarked on a massive shift of resources from military to civilian purposes as the only way for the Soviet Union to compete with the West and stay a major world power. In order to carry out his program, they add, the Soviet leader needs the cooperation of Western industrial powers, including foremost West Germany and Japan.

"The Soviets need much of what German industry has to offer; and we need the Soviet market," an official said. He added that the Soviets will be anxious, for instance, to enlist West German and Japanese industries to provide the infrastructure for developing major new industries in Siberia.

The perspective was shared by a Western diplomat stationed in West Germany, who thought that the Soviet Union might find economic policy a better tool to drive a wedge between the Federal Republic and the Western allies than a straightforward political offensive, which would be doomed to failure anyway.

"What if they [the Soviets] offer to create hundreds of new jobs by ordering steel products in the Ruhr?" he asked. Others, however, took issue with the concept of exporting manufacturing capacity to the East. The Soviets, a banker said, will continue for a long time to lack the financial means to make massive industrial purchases in the West. If they buy Western manufacturing plants, they will want to export most of what they produce. Citing a project to build a German shoe manufacturing facility in the Soviet Union, he said, "They will swamp us with a million pairs of cheap shoes a year; every job that we create there, will cost one here."

Russia's Ethnic Germans Coming Home to Roots

By Barry James

THROUGH two centuries of exile, through two world wars in which they were seen as traitors, through persecution and mass deportation, the ethnic Germans of the Soviet Union have held fast to their national roots.

Now they are coming back to their ancestral homeland in increasing numbers with the accents of a bygone age and the kind of national pride that has long gone out of fashion in West Germany.

Mikhail Gorbachev has eased up on emigration for the ethnic Germans after years of restrictions, and he appears to be trying to meet the pressure for emigration by liberalizing and improving conditions for the Germans who remain," said Sidney Heitman, a professor at Colorado State University at Fort Collins who has written several books about the subject.

As an indication of Moscow's more relaxed attitude, a team from Soviet television is scheduled to arrive in West Germany this week to make a program about the returnees — more than 14,000 last year, a record, and about 6,000 in the first three months of this year.

By contrast, only about 4,000 Jews were allowed to emigrate last year. In 1986, 753 Germans left the Soviet Union.

Like the Jews and the Armenians, Germans are allowed to emigrate on the grounds of family reunification, the only motive recognized by the Soviet authorities.

Although "things anti-German are still promoted in many subtle and direct ways," according to Mr. Heitman, reforms started about five years ago and speeded up by the Gorbachev administration have produced what he called genuine improvements.

"The authorities have relaxed the restrictions on religious observance up to a point," Mr. Heitman said in a telephone interview. "They have allowed the teaching of German in the public schools in places where Germans are concentrated, although not as a first language. They have founded a German-language literary magazine."

According to Ingeborg Fleischhauer, a university professor who specializes in the history of the ethnic Germans, few of those who left the Soviet Union have become homesick and applied to return. One reason, she said in a telephone interview, is that unlike the Jews, the Germans do not have to renounce their Soviet citizenship when they leave. This means they can go back for short visits to see family or friends.

In addition, the Soviet Union recently began allowing some ethnic Germans to visit family members in West Germany on vacation. Dr. Fleischhauer estimated that several hundred have taken advantage of this facility.

All told, she said, about 100,000 Germans have arrived from Russia since the early 1970s with the advent of Chancellor Willy Brandt's Ostpolitik, or opening to the East.

The ethnic Germans are received at a reception camp at Friedland in Lower Saxony. Most automatically get citizenship papers, along with unemployment, sickness and pension benefits, help in finding jobs and apartments and a small amount of cash to tide them over.

One problem, said Dr. Fleischhauer, is that not enough is known about the history of the ethnic

Germans and their present condition now that they have been widely scattered around the Soviet Union. "That they have been twice victims of Germans themselves during two world wars is not generally recognized by the German public," she said.

She hopes this ignorance will be remedied next month with the holding of the first symposium about the ethnic Germans May 1-3. The symposium, which is expected to attract about 100 scholars, is being organized by the International Historical Commission on the Past and Present of Germans in the Soviet Union, of which Dr. Fleischhauer is chairman.

Germans started going to Russia in large numbers at the end of the 18th century as the invitation of the Empress Catherine, who appreciated their hardworking, sober and diligent qualities. The emigration continued in the 19th century, a cheaper alternative for the Germans than going to America.

They settled in two principal areas, in the lower Volga region and along the northern shore of the Black Sea, where they kept their language, religion

Their national pride is of a kind that has long gone out of fashion in West Germany.

and customs. At the end of the 19th century, along with other minority groups such as the Jews, they began to suffer under a process of Russification.

During World War I, they were discriminated against, but later, under the New Economic Plan, they were granted autonomy by Stalin. When Hitler invaded Russia, the Volga Germans were brutally deported to Siberia. Some 350,000 Black Sea Germans were overrun by the Nazi invasion and sent to the West; but in 1945, 200,000 of them were forcibly repatriated and sent straight to labor camps.

In 1955, the ethnic Germans were granted amnesty and released from labor camps, but forbidden to return to their former areas. They settled instead in southwestern Siberia and central Asia.

There are an estimated 2 million of them, of whom 57 percent speak German as a first language, according to the last census in 1979.

"We have noticed a change of attitude," from Pravda to the provincial press, that indicates the authorities now accept that the ethnic Germans were the innocent victims of Hitler and not enemies of the state," Dr. Fleischhauer said, "and that they should be considered as loyal as any other citizens, with better guarantees on language, culture and even autonomy. The question is how far will this process go."

Barry James is a Paris-based correspondent for the International Herald Tribune. He reported from Moscow for United Press International from 1973 to 1976.

Postal Reforms Meet Resistance

By Douglas Sutton

BONN — Judging from the controversy already stirred up by Posts and Telecommunications Minister Christian Schwarz-Schilling's proposals for restructuring his ministry, the West German capital faces a summer of long and

heated debate before the legislation will finally get passed.

The plan looks simple on the surface: breaking down the postal system into three divisions — postal services, telecommunications and banking services.

In doing so, the ministry would be opening up one key area, telecommunications, to private industry; in effect, inviting competition where the powerful ministry has

enjoyed a monopoly and has harvested billions of marks in profits each year.

However, discussion already has made clear that, where powerful vested interests are at stake — authorities at both federal and state levels, as well as the unions — the restructuring decision will not come easily. And the large question looming above the debate is just how greatly will Mr.

Schwarz-Schilling's proposals be watered down?

Mr. Schwarz-Schilling has taken criticism from all sides: private industry, some of his own cabinet colleagues and the Postal Workers' Union. In March, the union held sporadic warning strikes to protest what it charged was a plan to "knock the postal ministry into pieces."

Opposition to breaking up the postal ministry's restructuring plans also has come from some top public-sector managers.

For example, in an article in the economic daily Handelsblatt, Helmut Cox, a Duisburg University economics professor and a specialist in the public-sector industry, argued against splitting apart the ministry's postal services and telecommunications services. The "internal subsidization" of the ministry, Professor Cox wrote, remained an important financial instrument to guarantee maintenance of the well-developed postal infrastructure.

By referring to the "internal subsidization," Professor Cox was pinpointing a key question about the postal ministry's financial viability if the Schwarz-Schilling restructuring proposals are put through: How will the traditionally money-losing postal services get along without the financial support now provided by the postal ministry's telecommunications earnings?

In 1986, the postal ministry achieved net profits of almost 3.27 billion Deutsche marks (\$1.9 billion), followed last year by 1.72 billion Deutsche marks, a performance based largely on the huge telephone and telecommunications network earnings, running upward of 138 percent of actual operating costs.

The earnings were high because West Germany has some of the highest telephone and telecommunications user rates in the world.

Besides the weighty financial considerations in the postal restructuring proposals, there are also major technological questions, telecommunications industry officials point out.

One issue is just how far the postal ministry will go to allow private industry to compete in setting up special telecommunications network services. At the moment, the ministry is strongly promoting the Integrated Services Digital Network (ISDN) concept for the 1990s. In so doing, some industry executives feel, the ministry is actually strengthening its position vis-à-vis the private sector.

Some industry analysts already believe that the postal ministry is backing off from its earlier euphoric visions for ISDN. If so, it would not be the first time that the ministry had changed its tune.

Advertisement for Spielbanken in Aachen, Bad Oeynhausen, Hohensyburg, and Bremen. Includes text: 'Zum Glück - nie zu weit', 'Die Spielbanken in Nordrhein-Westfalen und Bremen laden ein:', 'Internationales Spielcasino Aachen', 'Spielcasino Bad Oeynhausen', 'Spielbank Hohensyburg DORTMUND', 'Spielbank Bremen Böttcherstraße'.

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هكزامن الأصيل

Détente Is Expected To Sharpen, Not Blunt Human Rights Issues

Policy no longer needs to concentrate only on avoiding war.

By Christoph Bertram

HAMBURG — Since Mikhail S. Gorbachev's rise to the top post in the Kremlin, a latent fear has been revived in the West: that this skillful politician might succeed where previous Soviet leaders failed, namely, in dividing the Western alliance and, more precisely, in breaking West Germany away from its Western moorings.

In reality, as seen from West Germany, the Gorbachev effect has been exactly the opposite: it has deepened the West Germans' awareness of the differences that separate East and West and of the values that their country shares with its Western partners.

Of course, much of the Western fear has always been exaggerated. If it was Soviet policy to drive a wedge between Europe and America and between West Germany and its Western allies, it has been remarkably unsuccessful.

It is not likely that the new, reformist leadership in Moscow, whose priority is to rescue the country from economic decline, will devote much effort to this elusive aim. After all, even if the Soviets should, for once, succeed in sowing discord in the West, this would solve none of their pressing internal problems.

But, so the worst case, will the new, cooperative sounds emanating from Moscow not understate the Western vigilance and create the impression that there is nothing now that divides East and West?

Perhaps. But whatever happens in the forthcoming negotiations on conventional arms, the Soviet Union will remain the military superpower in Europe. West Europeans will continue to feel the shadow of that power.

Moreover, the reforms in Moscow are likely to sharpen rather than blunt the sense of separateness between Eastern and Western Europe by drawing increased attention to the issue of human rights.

Traditionally, West Germans have been wary of raising the human rights issue in the East-West context. As a rule, governments as well as peace movements have tended to play down the repression of individual freedom in the East. Détente for West Germans has primarily been a policy for reducing tension between East and West, dictated by a concern over order and stability rather than over individual justice.

This, however, is changing, and one of the

major agents of this change is the disappearance of the fear of war. Only a few years ago, during the heated missile debate, people genuinely feared that nuclear war was inevitable. Now, they have watched President Ronald Reagan and Mr. Gorbachev sign a treaty banning medium-range missiles. Quite properly, they have concluded that a major conflict in Europe is more remote today than ever; mutual caution, and its midwife, mutual deterrence, have seen to this.

Détente, therefore, no longer needs to concentrate only on avoiding war, it can afford to be concerned with the plight of individuals in conflict with repressive governments.

Mr. Gorbachev's call for openness and debate, moreover, has raised hopes for political liberalization that are bound to be disappointed. East European leaders are generally reluctant to embrace the new policies of Moscow, thus demonstrating to their own citizens and to those in the West the limits of change in Communist regimes.

When human rights became a major political issue in the United States, it was over the question of Jewish emigration from the Soviet Union. In West Germany, the thorny problem of emigration from East Germany has had a similar effect.

The East German government has vacillated between repression and leniency. Faced with many thousands who want to move to the West, it tried to bar all emigration, then lifted the pressure by allowing many to visit West Germany, even permitting some to emigrate.

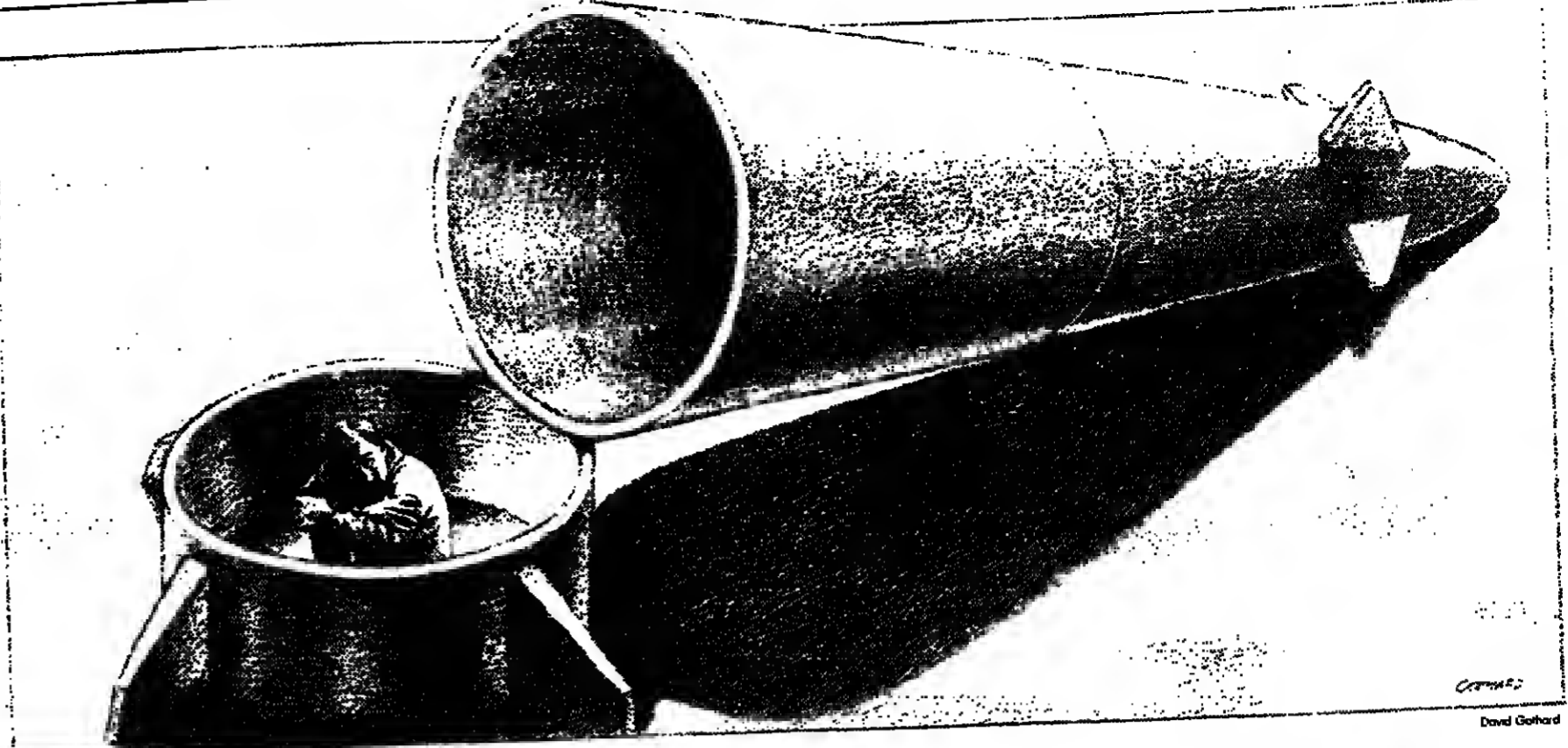
The authorities have imprisoned demonstrators and released some of them, forcing others to leave the country in the hope of getting rid of the troublemakers.

In the past, it was the monopoly of the political right in West Germany to draw attention to the plight of East German dissidents. The Greens were the first to challenge that monopoly. And now, the Social Democratic Party (SPD), the traditional party of *Ostpolitik*, is following suit.

The leading political light of the younger generation, the SPD's deputy leader, Oskar Lafontaine, has become one of the most outspoken champions of the change. At the height of recent East German arrests, Mr. Lafontaine protested that the Social Democrats should not permit East Germany "to turn us into proselytes and accomplices of their policy."

The shared East-West value of avoiding war is increasingly being satisfied in Europe. In contrast, the different values of human dignity and human freedom stand out all the more starkly. For the foreseeable future, Communist regimes will fall well short of the standards in the West and the gap between East and West. That is why the gap between East and West will become more rather than less visible in the new, emerging era of détente, and why West Germans will feel confirmed rather than challenged in their "Westernness."

CHRISTOPH BERTRAM is diplomatic correspondent of the weekly *Die Zeit*.



Consensus Is Forming on Nuclear Missiles

By Elizabeth Pond

BONN — The West Germans are finally adjusting to life after the INF Treaty, and a consensus is coalescing on the vexing issue of the North Atlantic Treaty Organization's short-range nuclear missiles.

The full shape of the treaty will have to await a new administration in Washington, but the general outline is already evident. It will consist essentially of trading off "modernization" of short-range nuclear forces (SNF) such as the Lance missile for drastic cuts in nuclear artillery stationed in West Germany.

If Bonn has its way, it will also entail a restoration of primacy in deterrence missions away from short-range to longer-range theater missiles based on planes and ships.

Just such a deal has been anticipated by strategists since Washington and Moscow reached initial agreement last spring to eliminate all their land-based intermediate-range nuclear force (INF) missiles with ranges of between 500 and 5,500 kilometers (310 and 3,422 miles).

But it encountered American anxieties about Senate ratification of the INF Treaty as well as political jockeying in West Germany. Washington's preoccupation with technology clashed, as always, with Bonn's fears of any shift in superpower relations.

It was, thus, only with the press conference by Volker Rühle, the deputy parliamentary leader for the Christian Democratic Union (CDU), in mid-March that West German politicians publicly endorsed the agreement.

Mr. Rühle proposed dumping as many as half of NATO's post-INF 4,000 nuclear weapons and "restructuring" the rest to make them as "credible" as possible. This, he said, would mean favoring longer-range over shorter-range theater systems and getting rid of many of the least credible artillery pieces, which would be used almost exclusively on West German territory.

He added that reductions might be implemented either unilaterally or in negotiation with the Soviet Union, but an "absolute minimum" of nuclear weapons must stay to deter even a conventional attack.

"Modernization must be possible and must not be taboo," he added, but it could not be decided upon in isolation without first developing NATO's promised "comprehensive concept" of arms and arms control.

Retired Bundeswehr General Franz-Joseph Schulze, a former commander of NATO forces in Central Europe, said such a tradeoff makes sense because weapons numbers are a function of range. If the successor to the 110-kilometer-range Lance has a reach of 450 kilometers, it

would not only cover two-thirds of the main Warsaw Pact bases for offensive air operations in Central Europe, but would also provide wide lateral coverage to deter any massing of Soviet forces at the front for an attack. Then, much of the 20-kilometer-range artillery could be forfeited.

Mr. Rühle's approval of the concept is significant since a year ago he and Alfred Dregger, the CDU parliamentary leader, were the two main conservative opponents of the "second zero" (eliminating INF missiles in the 500-to-1,000-kilometer range as well as the 1,000-to-5,500-kilometer range).

At the time, Mr. Dregger complained that West Germany was being "singulized" in the unique threat it would face.

Mr. Dregger has not publicly approved Mr. Rühle's proposal, but CDU staff members say that Mr. Rühle's formulation reflects a center-right consensus that includes Mr. Dregger and even Chancellor Helmut Kohl.

If the solution that is emerging is so simple, why then did the NATO allies go through the shadow play of confrontation, with the United States and especially Britain insisting that the West Germans first prove their loyalty to the West by modernizing the Lance? And why did Bonn resist so stoutly?

One reason, perhaps, was that anyone who has attached his faith in deterrence to a particular weapon (as the West German government performed did in battling for INF deployment in the mid-1980s) feels naked once that weapon vanishes.

This feeling of vulnerability is magnified for the front-line non-nuclear Germans whenever there is any shift in superpower relations, as

there was when President Ronald Reagan opened a new era of Soviet-American cooperation with the INF Treaty.

In addition, there was a sense of having been betrayed. For the first time in two decades, the West Germans had just won a basic commitment from the alliance that if it had to resort to nuclear weapons to avert conventional defeat, it would attack Soviet targets and not just West German territory. Yet, now, the very INF missiles that were intended to guarantee that commitment were to disappear.

At that point, the United States could have reassured the Germans that air- and sea-based theater-range systems could still perform the mission of holding Soviet territory at risk, stressing the merely supplementary role of SNF in deterrence. But Washington feared a bruising fight over Senate ratification of the INF Treaty and put a higher priority on managing the ratification.

Unfortunately for the West Germans, there could hardly have been a worse symbol. The concept of a firebreak conjured up images of letting Germany burn down in any nuclear conflict in order to save France and Britain (and the United States). And the Lances were by far the most visible and controversial nuclear weapons around.

The strains were brought into the open at a meeting of defense specialists in Munich in February, which showed Mr. Dregger and Mr. Genscher just how isolated they were.

The result was that Mr. Dregger pulled back, Mr. Genscher was criticized indirectly by Prime Minister Margaret Thatcher of Britain at the NATO summit meeting and Mr. Rühle proceeded to mold the new consensus of trading SNF modernization for cuts in artillery.

ELIZABETH POND is the European correspondent of *The Christian Science Monitor*.

The Americans feared that the West Ger-



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FEIN and STUART ABERNETHY Post financial reform international trade matters

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Defense Funding Drops, But Kohl Promises More

BONN — The bon mot making the rounds among Bonn conservatives is that the center-right government has implemented the cuts in defense funding that the Social Democrats faster than anyone would have believed possible.

The West German military budget is skating very close to the 3 percent of gross national product that for decades has been viewed as the dividing line between a serious or only a half-hearted commitment to defense.

Even more serious, the funding that goes to equipment procurement for the armed forces is so low that Bonn has now sunk from being close to the top among North Atlantic Treaty Organization countries to 10th or 11th on the list.

The Bundeswehr's present peacetime strength of 495,000 will be nominally maintained in the 1990s, but actually it will contract to 456,000 active servicemen and 39,000 reservists, despite extension of the draft from 15 to 18 months beginning next year.

Mr. Kohl's

Procurement graphs have fallen steeply.

This leaves departing Defense Minister Manfred Werner going off to his new post as West Germany's first secretary-general of NATO with less than flying colors.

Chancellor Helmut Kohl, according to a military source, promised 50 Bundeswehr commanders in January that he would come up with more funds for defense in two years. And the cabinet has pledged to restore in 1989 the 550 million Deutsche marks (\$325 million) excised from the military budget in 1988.

But that will hardly provide the kind of salaries needed to attract long-term volunteers and compensate for the shrinking pool of young men available for conscription in the 1990s. Nor will it purchase Leopard 2 tanks for a more than 16 all-purpose brigades, or fund a successor for close air support to the Alpha jet, which is to be decommissioned.

"It's natural," commented one defense official, explaining why all the procurement graphs peaked under the Social Democrats and have fallen steeply ever since the Christian Democrats took over the chancellery in 1982. He said that while the Social Democrats were always under pressure from the conservative opposition on the defense issue, the conservatives face no such burden.

Formally, the Bundeswehr Planning Conference committed itself in February to keeping the present 12 divisions with 48 brigades under the structural reform to be effected by 1995. But at only a bit more than half their current manning, they will no longer be operationally ready to carry out NATO's precept of forward defense on short warning. They will have to rely on reserves, who will take about 48 hours to be mobilized.

The air force will still get more Tornado jets and a new Eurofighter for the 1990s. And the navy will get new frigates, minesweepers and submarine interceptors. But acquisition of tanks, anti-aircraft missiles, submarines, speedboats and transport helicopters will all be stretched out.

Elizabeth Pond

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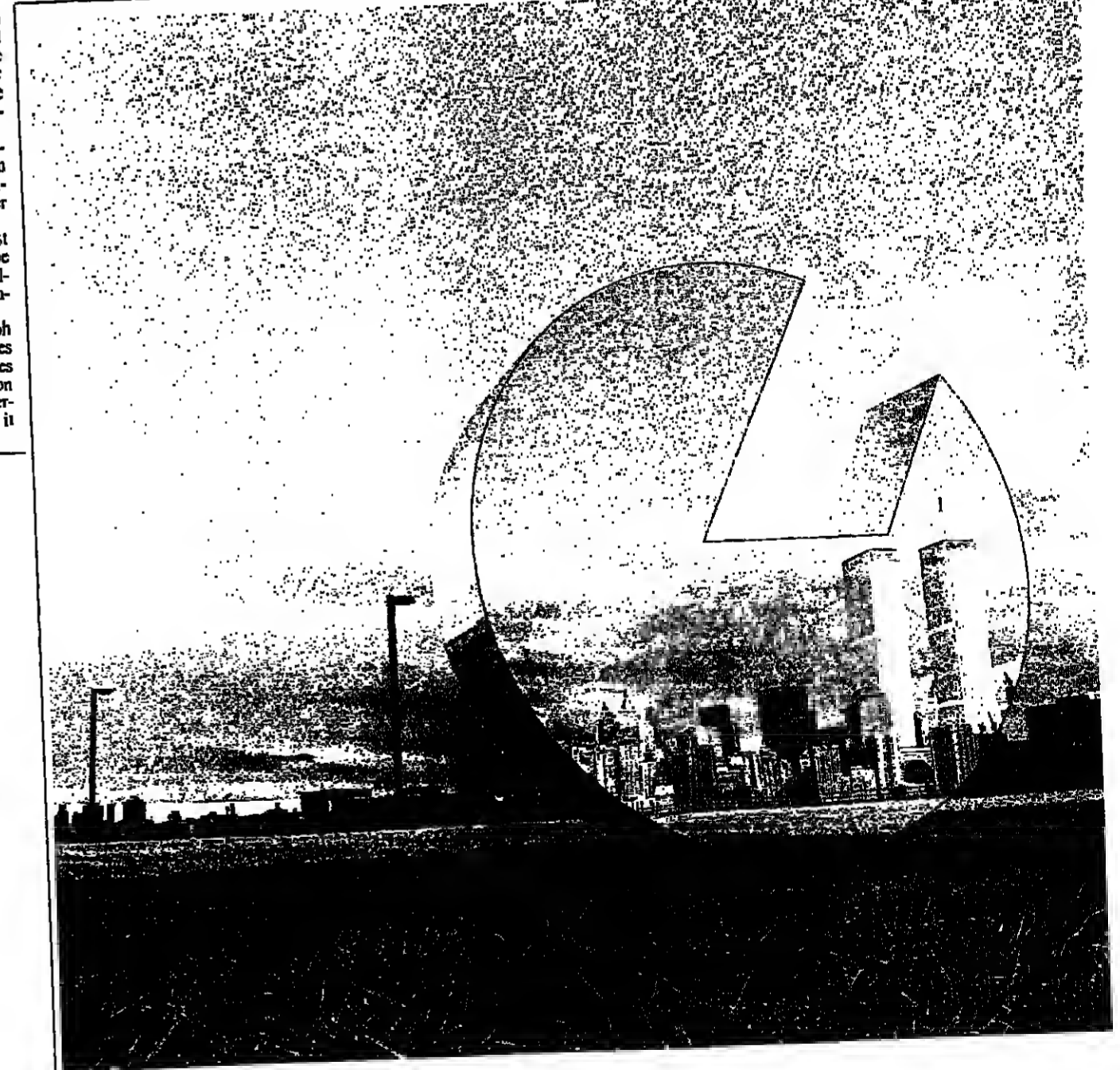


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Amid Pressures of 1992, Electronics Companies Jostle for Advantage

By Douglas Sutton

FRANKFURT — West Germany's electronics industry, in keeping with developments throughout Western Europe, is going more and more international these days to keep pace with costly technological advances.

The process is by no means smooth as some of the more prominent players in the electronics game appear to be jostling one another for the best starting position in 1992, the year when the European Community is to have eliminated all internal barriers in trade, services and financing.

The latest example of this is the complaint by SGS-Thomson that it is being brushed aside in the high-technology Jassi (Joint European Semiconductor Silicon) project by Siemens and Philips to develop microchip technologies for the 1990s.

While that dispute goes on, the battle in West Germany for market shares and technological advances is being waged by such major companies as Siemens, AEG, Nixdorf, Standard Elektrik Lorenz (SEL) and the various U.S. electronics subsidiaries.

The next big event in the industry is expected in May, when the West German Posts and Telecommunications Ministry is to award a contract as high as 500 million Deutsche marks

(\$299 million) to expand its Daxe-P data-transmission network.

The winner-take-all battle is between Siemens and AEG and nerves have been showing between the two companies as the deadline approaches. Eyebrows were raised when a Siemens executive praised his firm's EWSP system as being a "purely German development."

This was apparently meant as a jibe at AEG for teaming up with Northern Telecom of Canada in the AEG Olympia joint venture to offer up the Canadian company's highly successful Datapac system. It was all the more curious in light of Siemens' own widespread joint venture and cooperation activities with foreign partners.

The jostling comes amid a relative lull overall in West Germany's electrotechnology industry.

Helmut Lohr, chairman of the Frankfurt-based Electrotechnology and Electronics Industry Federation (ZVEI) as well as of the Standard Elektrik Lorenz company, predicted that overall output in the industry may rise by 1 percent in 1988, "if everything goes well."

Last year, turnover in the industry reached 159.2 billion Deutsche marks, a nominal 2.1 percent gain. Adjusting for inflation, the growth was only 1.3 percent over 1986 levels, when turnover increased by a real 2.5 percent. Production in 1987 rose last year by just 0.2



Testing of a digital switching system for export at Siemens.

percent to nearly 135.1 billion marks, a major slowdown from the real 5.1 percent output advance made in 1986.

Exports, according to ZVEI statistics, reached 71 billion marks, an increase of 0.9 percent. This was a slowdown from the 1986 export growth of 3.7 percent, but still better

than expected following the U.S. dollar's steep decline. A stagnating market naturally sharpens the competition among the companies for their share. Meanwhile the stakes, such as Siemens' and AEG's huge up-front costs to compete for the Daxe-P contract, get more risky, industry officials admit.

For many firms, the only solution is to join forces. For example, late last year, the Finnish firm Oy Nokia took over SEL's audio-video division. This followed similar steps in the German consumer electronics field in the past few years — Philips taking over Grundig and Thomson swallowing up Telefunken, Dual, Normdimde and Saba.

At a symposium during the giant CeBIT office equipment and technology fair in Hannover in March, Mr. Lohr of SEL remarked, "I'm a German and I feel German. Nevertheless, today we have to look at the global market."

Wolfgang Rucker, managing director of Hewlett-Packard GmbH, said at the same symposium that there had been a "dramatic change in relative short time" in the competitive landscape. "The trend is all the greater toward large suppliers of information technology which operate worldwide starting to cooperate with partners who know exactly the application problems of the local customers," Mr. Rucker said.

He added that "this provides the opportunity for the small companies to find a niche in the market and to thrive there."

While the small firms seek their niche, the large firms are fighting to get bigger chunks of the market.

Mr. Lohr told the symposium that the merger

process would be unavoidable if the Europeans were to keep pace with the Americans and the Japanese.

In the case of the major West German electrical firm, Siemens, the question of size is also a question of where to put the emphasis.

A key part of its strategy today is focused on telecommunications. As Arthur D. Ertle study ranked the Munich company third in the world in 1986 with a turnover of \$5.6 billion, after AT&T's \$10.2 billion and Alcatel's \$8 billion and somewhat ahead of Northern Telecom's \$4.4 billion.

Siemens has spent half a billion dollars in developing the necessary software to try to compete for contracts from the 22 Bell Operating Companies in the United States. A company executive, Hans Bauer, admitted that to recoup the investment, Siemens will need to gain a 10 percent share of the American market by 1991.

The German computer industry is less euphoric than it was a few years ago, when annual growth rates of 30 percent and more were the norm, but it is still growing at a rate of 10 percent.

DOUGLAS SUTTON is an editor with the English-language service of DPA, the German press agency based in Hamburg.

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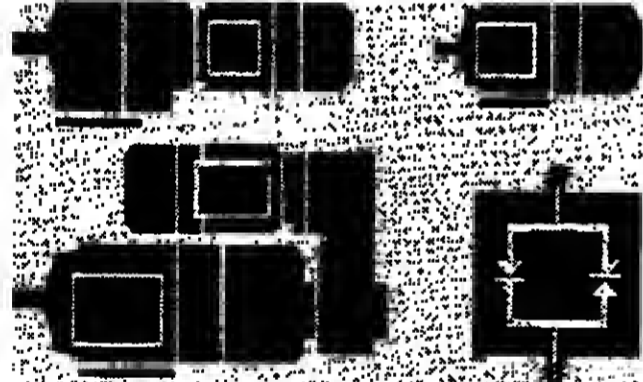
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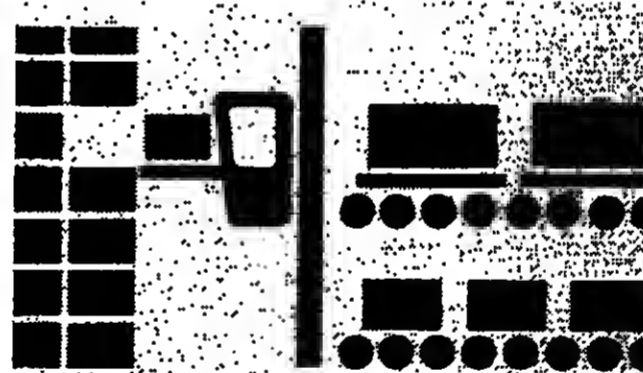
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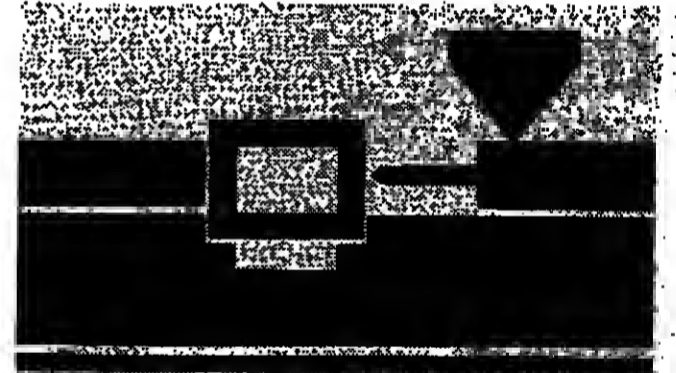
Material handling components
Electric motors, control systems, hoists and travel units, control pendants, busbar lines



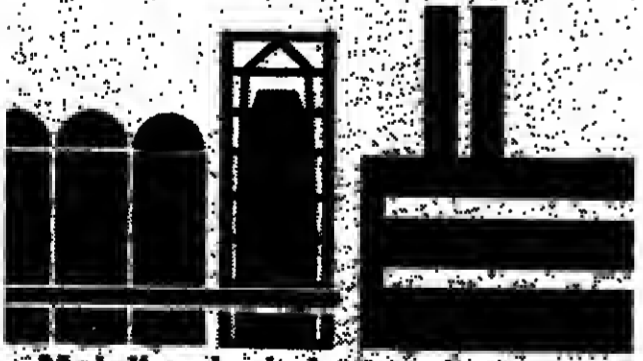
Cranes and handling equipment
Cranes, load handling attachments, storage and retrieval machines, handling systems, controls



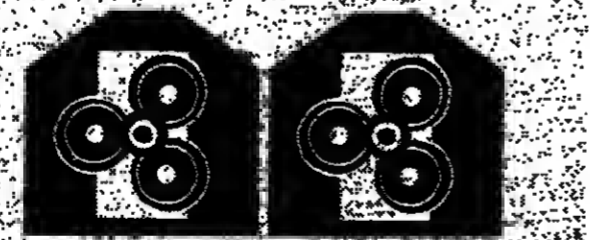
Systems engineering
Storage, order-picking and material transport systems, planning and implementation of integrated material handling installations



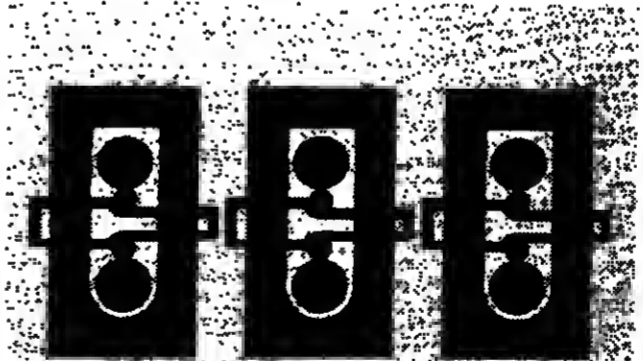
Plastics machinery
Injection molding, extrusion, blow molding, etc.



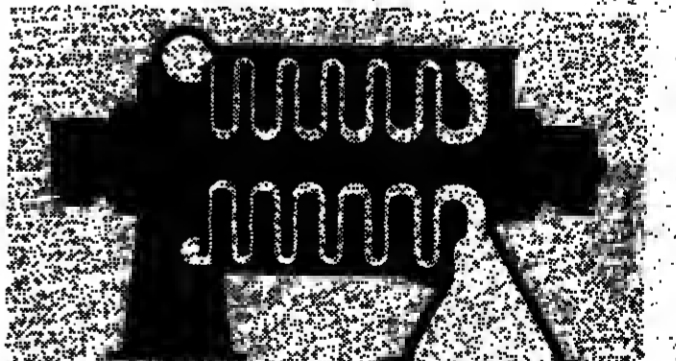
Metallurgical plant and equipment
Integrated works, blast furnaces, steel-making shops, secondary steel-making equipment, continuous steel casting machines, electrometallurgical facilities



Tube and pipemaking facilities
Plant and machinery for the production of seamless and welded tubes and pipes and hydraulic presses



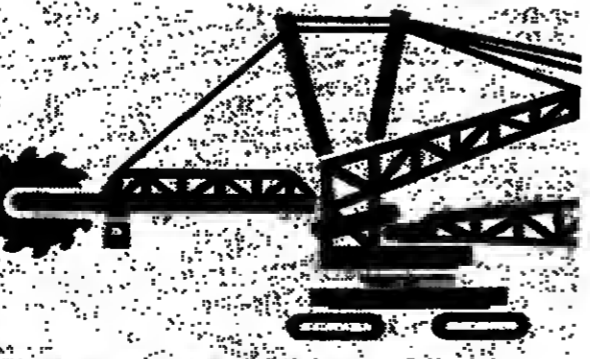
Rolling mill engineering
Rolling mills for sections, beams, rod, strip, plate and sheet, and strip processing lines



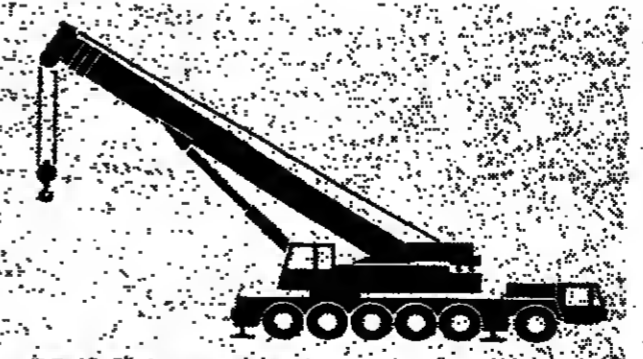
Process gas compressors
Dynamic or positive displacement machines for air or industrial gas compression and vacuum pumps



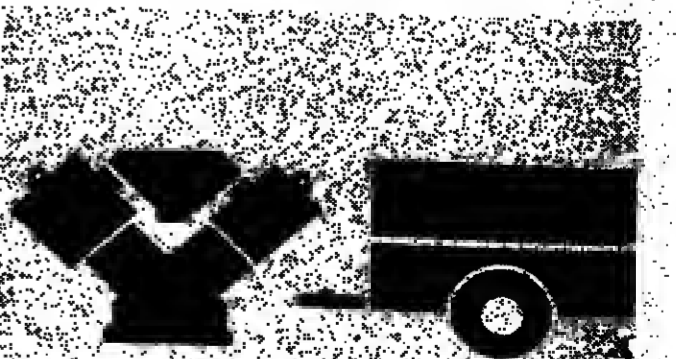
Construction equipment
Hydraulic excavators, cable-operated hydraulic excavators, pavers, side finishers



Mining engineering
Open-cast mining equipment, bulk-handling equipment, large hydraulic excavators, tunnel-heading and shaft drilling machines, shaft winding systems



Mobile cranes
Lattice-boom and telescopic cranes, pneumatic tyre- or crawler-mounted, harbour cranes, industrial yard cranes



Pneumatic equipment
Compressors, equipment and components for the construction and manufacturing industries

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WEDNESDAY, APRIL 20, 1988

MADISON AVENUE

China: A New Adventure For Tri-National Agency

By PHILIP H. DOUGHERTY

NEW YORK — Tim Pollak and Alain de Pouzilhac represent the new breed of international advertising executive.

Mr. Pollak said he had just returned from Beijing, where HDM is the only multinational full-service advertising agency.

'China is so big as a market you can't be important in that area without an office there.'

What brought Mr. Pollak to China most recently was to install Candy Wong as the new general manager.

HDM was formed last July by combining two joint ventures of Y&R, one with the French and one with the Japanese.

After an exhaustive search of old songs to find the right timely tune to introduce a new higher-priced Citizen watch.

The lyrics take care of almost all of the copy needs for the television commercial.

THE 30-SECOND commercial replaces an ad for the less-expensive Citizen line that was built around the Al Jolson hit.

The song, written by Arthur Korb in 1947, goes like this: It takes time To get your gal to see the light.

Accounts

- Ralston Purina is moving Purina Dog Chow to its company-owned Centra Advertising from Wells, Rich, Greene.

People

- Charles W. McConnell has joined Lord, Geller, Federico, Einstein, as a senior vice president and account director.

Currency Rates

Table with columns for City, Currency, and Rate. Includes Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Tokyo, Zurich, and SDR.

Other Dollar Values

Table with columns for Currency, Unit, and Value. Includes Australian dollar, Canadian dollar, Hong Kong dollar, Indian rupee, Japanese yen, etc.

Forward Rates

Table with columns for Currency, Period, and Rate. Includes Pound Sterling, Japanese yen, and Deutsche mark.

Interest Rates

Table with columns for Currency, Term, and Rate. Includes Eurocurrency deposits for Dollar, Swiss, French, and ECU.

Key Money Rates

Table with columns for Country, Instrument, and Rate. Includes US, Japan, West Germany, and UK.

Asian Dollar Deposits

Table with columns for Term and Rate. Includes 1 month, 3 months, 6 months, and 1 year.

U.S. Money Market Funds

Table with columns for Fund Name and Yield. Includes Merrill Lynch Ready Assets and Telerate Interest Rate Index.

Gold

Table with columns for Location, Price, and Change. Includes Hong Kong, London, Zurich, and New York.

Citicorp Net Rises By 34%

Banking Giant Boosts Dividend

NEW YORK — Citicorp on Tuesday reported a 34 percent jump in first-quarter earnings to \$358 million from a year earlier.

Among other bank results, Mellon Bank Corp. said it returned to profit in the first quarter by earning \$25 million.

Citicorp's profit, amounting to \$1.01 a share, rose from a restated \$267 million, or 87 cents a share, in the first three months of 1987.

Revenue totaled \$3.04 billion, up 7.8 percent from \$2.82 billion a year before, it said.

Reflecting confidence in the earnings momentum of the core businesses, the board raised the quarterly dividend by 9.6 percent to 33.75 cents a share.

Citicorp said that another significant factor in the first quarter was a further reduction in loans to countries that are rescheduling their debts.

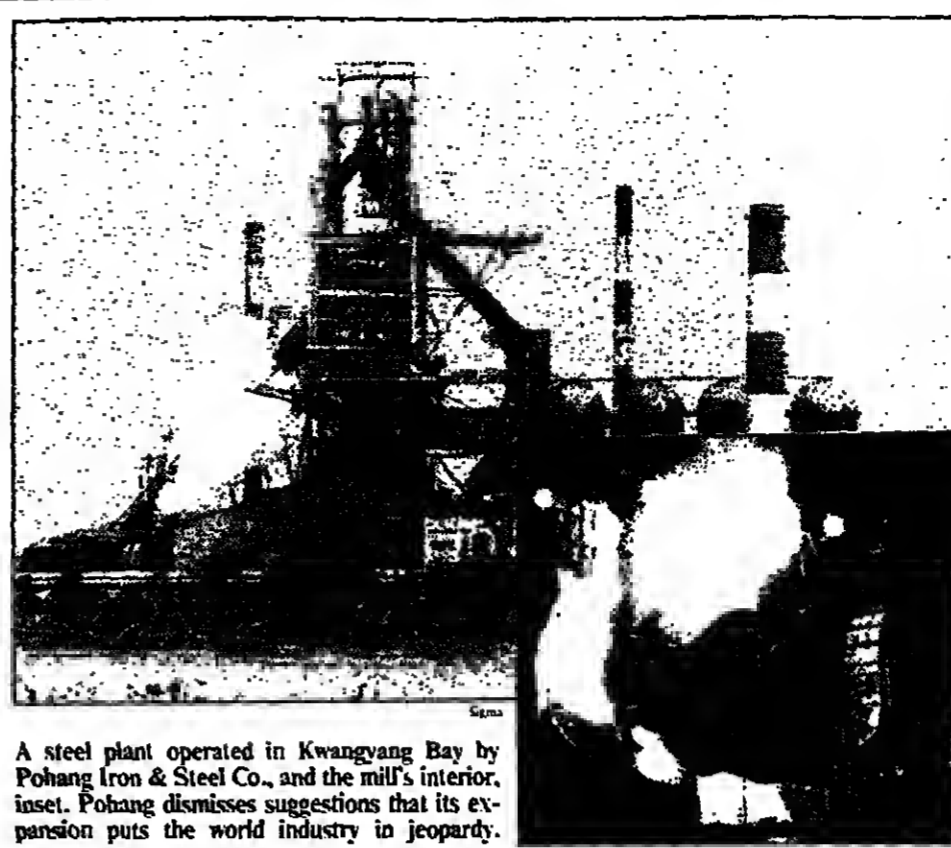
It said interest payments of \$151 million had been received on Brazilian medium- and long-term loans since the developing world's biggest debtor resumed interest payments late last year.

Also, the growth of operating expenses continued to abate, to a year-to-year rate of 13 percent in the latest quarter from 28 percent a year earlier, the company said.

Of its three main businesses, Citicorp said earnings of its Citibank unit rose 26 percent to \$167 million as credit card profits continued to be particularly strong.

Citicorp said earnings from institutional clients rose to \$203 million in the first quarter from \$64 million a year earlier, reflecting fewer loan problems and a reduction in loan-loss provisions.

It said its investment bank earned \$155 million in the first quarter, up 12 percent from a year earlier, with the improvement stemming particularly from a turnaround in Europe.



A steel plant operated in Kwangyang Bay by Pohang Iron & Steel Co., and the mill's interior, inset. Pohang dismisses suggestions that its expansion puts the world industry in jeopardy.

Pohang Steel Is Just Warming Up

South Koreans Buck Global Trend and Boost Capacity

SEOUL — Pohang Iron & Steel Co. celebrated its 20th anniversary this month by announcing plans for expansion that defy a global trend of declining output.

In a bid to become one of the world's leading steelmakers by the early 1990s, Pohang plans to open a third mill ahead of schedule in southern Kwangyang Bay to handle rising domestic demand and potential exports to new customers such as China.

South Korea does not have diplomatic relations with Communist nations, but has begun developing trade links. President Roh Tae Woo has said repeatedly that he is committed to direct trade with the Soviet Union and China.

The company is hoping its expansion program eventually will make it the world's second biggest steel producer, behind Nippon Steel Corp. of Japan. Nippon has been planning to reduce its capacity to about 24 million tons by fiscal 1990-91.

"No one in this country and abroad believed that our giant plan to make this country a major steel producer would be successful, but we made it in 20 years," a spokesman for Pohang asserted.

Inauguration of the first Kwangyang mill last year raised national production capacity to nearly 17.5 million tons, making South Korea the seventh largest producer among non-Communist nations.

Pohang accounted for about 80 percent of South Korea's output capacity, or about 14 million tons. The first phase of the Kwangyang plant has a design capacity of 2.7 million tons a year, which will triple when the second and third stages open in 1988 and 1990.

Pohang's plan to be one of the world's biggest steel producers counters a global trend of falling output. Japan and the United States are arguing that further rises in Korean capacity will put their own industries in jeopardy, but Seoul shrugs off that contention.

"We do not see the steel industry as a declining one," the spokesman for Pohang said, pointing to rising production of cars, electronic goods and ships. The Trade Ministry projects that South Korea's domestic demand will rise to about 26 million tons in the early 1990s while supply climbs to just 20 million tons.

Pohang's advantage over foreign steelmakers is its comparatively lower unit costs. In the first quarter of this year, it supplied hot rolled coils at \$320 a ton — far cheaper than the average \$435 a ton in the United States or \$385 in Taiwan, and about half Japan's unit cost of \$638.

"We can still produce the cheapest steel in the world," the company spokesman said. "And do-

See KOREA, Page 21

Housing Starts In U.S. Climb For 2d Month

WASHINGTON — U.S. housing construction rose a modest 1.9 percent in March, the second consecutive monthly increase, as housing continued recovering from a year-end slump, the Commerce Department said Tuesday.

The increase, which pushed construction activity to a seasonally adjusted annual rate of 1.54 million units, followed a sharp gain of 9.6 percent in February. The February figure was revised from an 8.9 percent gain.

Housing permits, considered a good sign of future economic activity, also rose in March, gaining 2.1 percent to an annual rate of 1.45 million units.

Despite the increases, housing starts were 10.4 percent below the level of March 1987 because of the sharp slump in December and January. Permits were 15.5 percent lower than they were a year earlier.

Housing starts plummeted 15.8 percent in December and fell another 1.2 percent in January. Analysts attributed the declines to builders' fear that the October stock market collapse would dampen home buying and to the pre-October rise in mortgage interest rates.

Construction rebounded after these rates, which stand at an average of 10.19 percent for 30-year, fixed-rate mortgages, fell in January and February.

Economists said the two monthly rises in construction also showed that the midwinter downturn was more a reflection of bad weather and statistical distortions than underlying weakness in housing.

Nevertheless, few forecasters expect housing starts to match the 1987 pace of 1.62 million. Indeed, rising interest rates could take a new toll on home building in the weeks ahead, economists said.

Mortgage rates are now more than half a percentage point higher than in February. Economists said rates could climb further if the Federal Reserve, the U.S. central bank, tightens its grip on credit to support the dollar and dampen inflationary pressures stemming from the robust economy.

The strength in housing starts last month came in construction of single-family housing, which rose 7.1 percent to a seasonally adjusted annual rate of 1.18 million units after an even stronger 8.9 percent climb in February.

Construction of multifamily units fell 12.3 percent to an annual rate of 358,000 units. Apartment construction has been in a slump because the tax law passed in 1986 removed many of the tax benefits of investing in real estate.

Regionally, the West posted an 18.7 percent gain in housing starts, while there was a 5.8 percent fall in the South. (AP, Reuters, UPI)

Porsche, Feeling Pinch in U.S., to Cut 1,000 Jobs

Agence France-Press

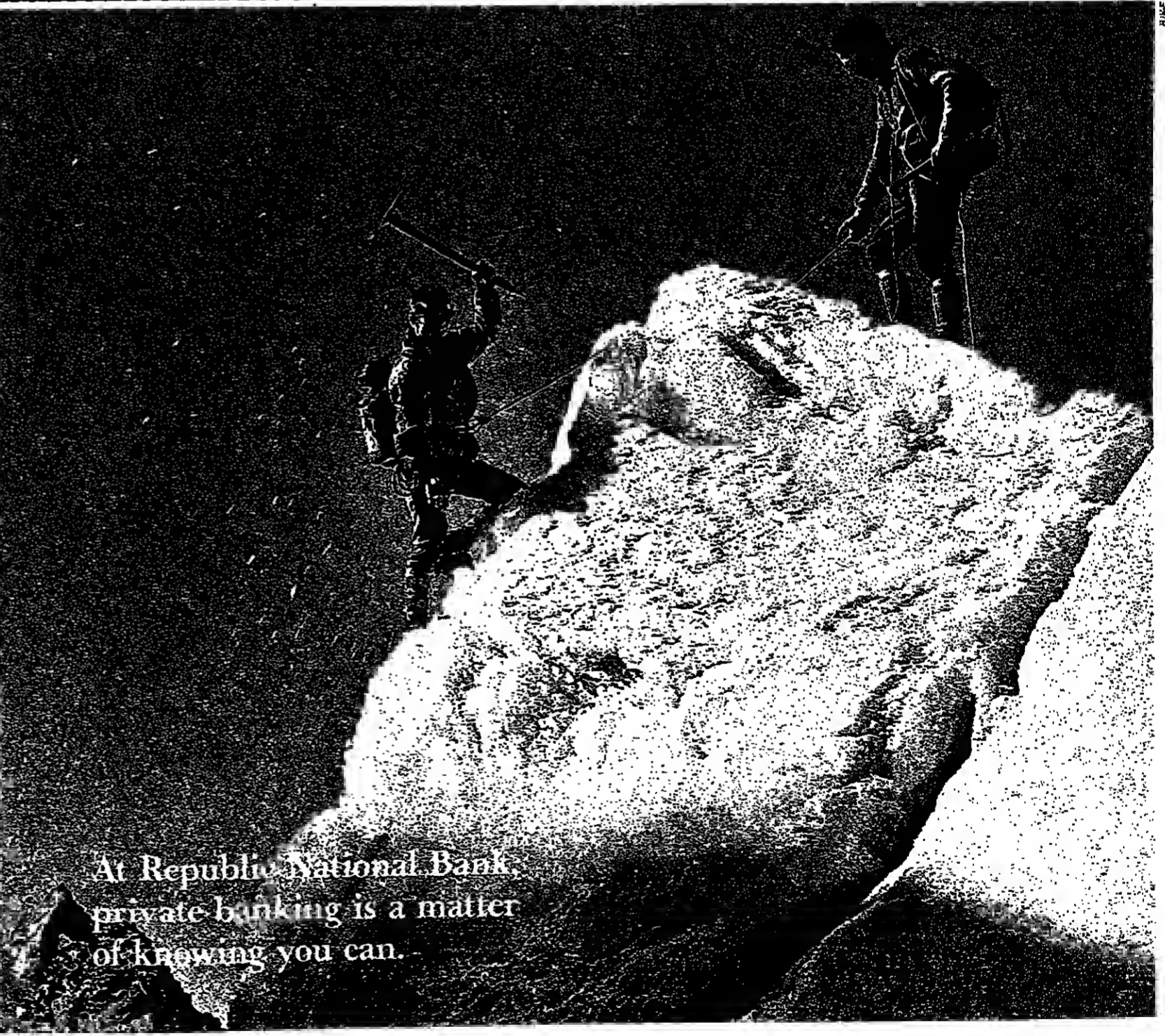
STUTTGART — Porsche AG will trim its work force by almost 12 percent, removing about 1,000 of its 8,600 jobs in the next 15 months, mostly by introducing early retirement and not replacing employees who leave, the sports car company said Tuesday.

Porsche, hit by the fall in the dollar and the effects of the October stock market collapse, is having trouble selling its luxury sports cars, 80 percent of which are exported.

The family-controlled company has cut production to 33,000 cars a year from 53,000 in recent months.

Last month Porsche reported group revenue for the first half of the fiscal year, to Jan. 31, at 1.46 billion Deutsche marks (\$864 million), down 14.5 percent from the previous year's period.

In February the number of cars sold in the United States, Porsche's biggest market, fell 25 percent from February 1987 to 2,500 cars.



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Tuesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect local trades elsewhere.

| 12 Month High | Low | Stock | Chg. | Yld. PE | 52 Wk High | Low | Chg. |
|---------------|-----|------------------------|-------|---------|------------|-----|-------|
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| 100 | 80 | AT&T | +0.25 | 15.0 | 100 | 80 | +0.25 |
| 100 | 80 | GE | +0.10 | 10.0 | 100 | 80 | +0.10 |
| 100 | 80 | Westinghouse | +0.15 | 11.0 | 100 | 80 | +0.15 |
| 100 | 80 | Rockwell | +0.20 | 13.0 | 100 | 80 | +0.20 |
| 100 | 80 | Boeing | +0.30 | 14.0 | 100 | 80 | +0.30 |
| 100 | 80 | McDonnell Douglas | +0.40 | 15.0 | 100 | 80 | +0.40 |
| 100 | 80 | Lockheed | +0.50 | 16.0 | 100 | 80 | +0.50 |
| 100 | 80 | Northrop | +0.60 | 17.0 | 100 | 80 | +0.60 |
| 100 | 80 | Grumman | +0.70 | 18.0 | 100 | 80 | +0.70 |
| 100 | 80 | Raytheon | +0.80 | 19.0 | 100 | 80 | +0.80 |
| 100 | 80 | TRW | +0.90 | 20.0 | 100 | 80 | +0.90 |
| 100 | 80 | Rockwell International | +1.00 | 21.0 | 100 | 80 | +1.00 |
| 100 | 80 | Boeing Defense & Space | +1.10 | 22.0 | 100 | 80 | +1.10 |
| 100 | 80 | Lockheed Martin | +1.20 | 23.0 | 100 | 80 | +1.20 |
| 100 | 80 | Northrop Grumman | +1.30 | 24.0 | 100 | 80 | +1.30 |
| 100 | 80 | Grumman Aerospace | +1.40 | 25.0 | 100 | 80 | +1.40 |
| 100 | 80 | Raytheon Systems | +1.50 | 26.0 | 100 | 80 | +1.50 |
| 100 | 80 | TRW Systems | +1.60 | 27.0 | 100 | 80 | +1.60 |
| 100 | 80 | Rockwell International | +1.70 | 28.0 | 100 | 80 | +1.70 |
| 100 | 80 | Boeing Defense & Space | +1.80 | 29.0 | 100 | 80 | +1.80 |
| 100 | 80 | Lockheed Martin | +1.90 | 30.0 | 100 | 80 | +1.90 |
| 100 | 80 | Northrop Grumman | +2.00 | 31.0 | 100 | 80 | +2.00 |
| 100 | 80 | Grumman Aerospace | +2.10 | 32.0 | 100 | 80 | +2.10 |
| 100 | 80 | Raytheon Systems | +2.20 | 33.0 | 100 | 80 | +2.20 |
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| 100 | 80 | Raytheon Systems | +5.70 | 68.0 | 100 | 80 | +5.70 |
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| 100 | 80 | Boeing Defense & Space | +8.80 | 99.0 | 100 | 80 | +8.80 |
| 100 | 80 | Lockheed Martin | +8.90 | 100.0 | 100 | 80 | +8.90 |

(Continued)

| 12 Month High | Low | Stock | Chg. | Yld. PE | 52 Wk High | Low | Chg. |
|---------------|-----|------------------------|-------|---------|------------|-----|-------|
| 100 | 80 | Boeing | +0.10 | 10.0 | 100 | 80 | +0.10 |
| 100 | 80 | McDonnell Douglas | +0.15 | 11.0 | 100 | 80 | +0.15 |
| 100 | 80 | Lockheed | +0.20 | 12.0 | 100 | 80 | +0.20 |
| 100 | 80 | Northrop | +0.25 | 13.0 | 100 | 80 | +0.25 |
| 100 | 80 | Grumman | +0.30 | 14.0 | 100 | 80 | +0.30 |
| 100 | 80 | Raytheon | +0.35 | 15.0 | 100 | 80 | +0.35 |
| 100 | 80 | TRW | +0.40 | 16.0 | 100 | 80 | +0.40 |
| 100 | 80 | Rockwell International | +0.45 | 17.0 | 100 | 80 | +0.45 |
| 100 | 80 | Boeing Defense & Space | +0.50 | 18.0 | 100 | 80 | +0.50 |
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| 100 | 80 | Grumman Aerospace | +0.65 | 21.0 | 100 | 80 | +0.65 |
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| 100 | 80 | TRW Systems | +0.75 | 23.0 | 100 | 80 | +0.75 |
| 100 | 80 | Rockwell International | +0.80 | 24.0 | 100 | 80 | +0.80 |
| 100 | 80 | Boeing Defense & Space | +0.85 | 25.0 | 100 | 80 | +0.85 |
| 100 | 80 | Lockheed Martin | +0.90 | 26.0 | 100 | 80 | +0.90 |
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| 100 | 80 | Lockheed Martin | +2.65 | 61.0 | 100 | 80 | +2.65 |
| 100 | 80 | Northrop Grumman | +2.70 | 62.0 | 100 | 80 | +2.70 |
| 100 | 80 | Grumman Aerospace | +2.75 | 63.0 | 100 | 80 | +2.75 |
| 100 | 80 | Raytheon Systems | +2.80 | 64.0 | 100 | 80 | +2.80 |
| 100 | 80 | TRW Systems | +2.85 | 65.0 | 100 | | |

BUSINESS ROUNDUP

Mellon, Earning \$25 Million, Returns to Profit

PITTSBURGH — Mellon Bank... in a reversal of recent losses, said Tuesday that it earned \$25 million in the first quarter...

were largely linked to its extensive portfolio of energy loans. Mellon's shares were \$1.125 higher at \$28.625 in late afternoon trading on the New York Stock Exchange.

The bank's reserve for possible credit losses was \$1.131 billion, or 5.53 percent of its loans at March 31, essentially unchanged from the year-end level of \$1.130 billion or 5.59 percent.

Operating expenses, excluding the cost of real estate acquired, totaled \$279 million in the first quarter, the lowest level since the second quarter of 1986.

Mellon's return to profitability resulted primarily from a substantial decrease in its provision against problem loans from the first quarter of 1987, said its chairman, Frank V. Cahouet. Quarterly credit losses were also less than half those in the comparable period a year ago.

The bank's results followed a loss of \$234 million in the fourth quarter and a full-year loss in 1987 of \$844 million. Mellon's losses

well as \$7 million on the sale of other assets. The bank's return on assets for the first quarter, on an annualized basis, was 0.34 percent, and its annualized return on common equity 8.55 percent.

Among other bank earnings, Bankers Trust New York Corp. reported a slight 1.4 percent rise in quarterly profit to \$126 million from \$124.2 million in the year-before period.

Morgan Stanley's Net Profit Rose 53% in First Quarter

NEW YORK — Morgan Stanley Inc. reported Tuesday that its net profit jumped 53 percent to \$98.6 million in the first quarter from \$64.3 million a year earlier.

The U.S. investment bank also announced that its board had authorized the repurchase of up to \$100 million of Morgan's common stock. Up to \$75 million of the stock will be purchased from stockholders in a secondary offering of up to three million shares, it added.

Revenue from principal transactions increased nearly 20 percent to \$146.6 million, investment banking revenue grew 32 percent to \$82.5 million, and asset management income was up 17 percent to \$29.6 million.

But commission revenue was down 33 percent to \$143.2 million, PaineWebber said. First Boston Inc. reported profit in its first-quarter net profit of \$1.17 billion, or 45 percent, from \$762 million, or 31 percent, a year earlier.

The firm said that revenue climbed 31 percent in the first quarter, to \$975.4 million from \$747 million a year earlier. Earnings per share advanced in \$3.82 from \$2.54 a year earlier. Morgan declared an unchanged quarterly dividend of 22.5 cents a share payable May 17.

In other first-quarter results, PaineWebber Group Inc. reported that its net profit fell 36 percent to \$20.8 million as the firm failed to regain its momentum in the aftermath of the October stock market collapse. The results included an extraordinary charge of \$2.6 million.

The earnings, which amounted to 48 cents a share, compared with \$32.6 million, or \$1.05 a share, in the first quarter of 1987. Revenue slipped 3 percent, to \$607.9 million from \$629.4 million a year earlier. "There is no question that Wall

Street is still feeling the ripple effect of Oct. 19," the firm's chairman, Donald B. Marron, said. "Business has not yet returned to pre-crash levels and may not for some time."

Apple's Profit Soared 135% in 2d Quarter

NEW YORK TIMES Service SAN FRANCISCO — Apple Computer Inc., whose second-quarter profit jumped 135 percent, should continue to register strong growth in earnings, analysts say, because it has repositioned itself as a supplier of computer networks and systems, not just personal computers.

Helped by the increasing acceptance of its Macintosh personal computer among large corporate customers, Apple on Monday reported that earnings soared to \$79.7 million from \$33.9 million in the comparable period a year earlier. Revenue for the Cupertino, California, company rose 51 percent to \$867.2 million.

The company said it expected strong demand across all markets and product lines in the second half of the year. John Dean, an analyst with Montgomery Securities, said Apple could sustain 25 percent growth for many years. "Apple is becoming a systems company, not a personal computer company," he said. However, that growth could be threatened by an industry-wide shortage of chips, he said.

Apple's profit in the second quarter of 1988 was \$79.7 million, or \$1.05 a share, compared with \$33.9 million, or \$0.45 a share, in the second quarter of 1987. Revenue for the Cupertino, California, company rose 51 percent to \$867.2 million from \$573.9 million a year earlier.

While the dollar's decline against the mark last year did squeeze exports by making U.S. goods more competitive, Nixdorf said that effect was offset because it had to pay less in marks for much of its supplies.

Klaus Luft, the management board chairman, said that if the dollar had remained steady in 1987, foreign sales would have risen 15.1 percent, instead of 8.5 percent. Meanwhile, he said, he expects that the double-digit growth rate in revenues will continue in 1988.

Nixdorf said its orders in hand at the end of 1987 were up 13 percent from the year before, at \$1.1 billion DM. Although the company wants to increase its share of European mar-

ket and plans aggressive expansion in the Far East, growth in North America is likely to be more selective. "We are not hunting for market share in the United States, but want to expand in selected areas," said Arno Bohm, the management board vice chairman.

Nixdorf expects research and development spending to remain at about 9 percent to 10 percent of sales in 1988.

However, it plans to increase investment in new plant and equipment to 700 million to 800 million DM from the 725 million DM spent in 1987.

Honeywell Net Up 32%

MINNEAPOLIS — Honeywell Inc. said Tuesday that first quarter net income rose 32 percent to \$57.7 million from \$43.7 million a year earlier. Worldwide sales rose 18 percent, to \$1.74 billion.

Revenue for the Minneapolis-based company rose 13 percent to \$1.1 billion. While the dollar's decline against the mark last year did squeeze exports by making U.S. goods more competitive, Nixdorf said that effect was offset because it had to pay less in marks for much of its supplies.

Klaus Luft, the management board chairman, said that if the dollar had remained steady in 1987, foreign sales would have risen 15.1 percent, instead of 8.5 percent. Meanwhile, he said, he expects that the double-digit growth rate in revenues will continue in 1988.

Nixdorf said its orders in hand at the end of 1987 were up 13 percent from the year before, at \$1.1 billion DM. Although the company wants to increase its share of European mar-

Analysts Expect Peugeot to Post Sharply Higher Profit

PARIS — Peugeot SA is likely to post a sharp increase in 1987 group net profit as it reaps the rewards of a three-year restructuring and strong European sales of its rejuvenated range of cars, analysts said Tuesday.

The group could even double profit to 7.7 billion francs (\$1.36 billion) if it takes advantage of all its tax credit, said Christian Duchesne, an analyst with the Paris brokerage Didier Philippe.

Peugeot, which posted consolidated attributable net profit of 3.59 billion francs in 1986, will report its 1987 results on Wednesday. Estimates by analysts range from slightly more than 6 billion francs to almost 8 billion. But analysts emphasized that the results would hinge on how Peugeot decides to use the tax credit accumulated from losses in previous years. So far the company has declined to give any details of its tax strategy, but the group still has a credit outstanding that covers income of about 5 billion francs.

Mr. Duchesne said Peugeot could "only use up some of the credit and then hold over the rest to maintain steady profit growth in 1988." Laurent Baril, an analyst with Banque Indosuez, said that any result under 6.5 billion francs "would mean the group was making sizeable provisions for 1988 losses."

Peugeot, France's only private auto group, has been reeling from industrial restructuring since 1984, when the company reported a group net loss of 341 million francs and Jacques Calvet took the helm.

Profits have steadily climbed since. The work force has been cut by 14 percent to 160,600 and the company's debt-to-equity ratio has been sharply reduced. At the same time, the group has updated its range of Peugeot and Citroën models, expanding market share. Since 1984, the small Peugeot 205 and the mid-range Citroën BX have been steady sellers across Europe. More recently, the group launched the successful Citroën AX, a small model in 1986, and the popular Peugeot 405, a midrange model, last summer.

But the company remains weak at the top of the range, where it is represented by its aging Peugeot 505 and Citroën CX models. Peugeot now ranks third among European producers, up from fifth in 1983. Peugeot claimed 13 percent of the European market last year, closely trailing Volkswagen AG of West Germany and Fiat SpA of Italy but outpacing Ford Motor Co. of the United States and Renault of France.

Mr. Calvet says that he is aiming to push market share up to 13 percent this year and that Peugeot will lead the field by 1992. "1988 and 1989 will be key years for Calvet's aim of becoming market leader as the company rolls out its new up-market cars," Mr. Baril said.

Peugeot shares have risen over the past week on analysts' projections. On Monday they hit 1,070 francs, the high so far in 1988.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Table with columns for Company Name, Year, Revenue, Profit/Loss, and other financial metrics. Includes companies like Solvay, TDK Group, Vindex Int'l, etc.

BERG TRUST, SICAV

Société d'investissement à capital variable 13, bd. de la Foire, LUXEMBOURG R.C. Luxembourg B 26150

CONVOCACTION Messrs. Shareholders are hereby convened to attend the statutory general meeting which is going to be held on April 25, 1988, at 10:00 o'clock at the head office, with the following agenda: 1. Submission of the Reports of the Board of Directors and of the Statutory Auditor; 2. Approval of the balance sheet and of the profit and loss statement as of December 31, 1987; 3. Resolution in respect of the allocation of distributable income; 4. Approval of the action of the Directors and of the Statutory Auditor in respect of the carrying out of their duties during the fiscal year ended December 31, 1987; 5. Receipt of and action on nominations for election of directors and of the Statutory Auditor for a new statutory term; 6. Miscellaneous business as may properly come before the meeting.

BERG NORDEN, SICAV

Société d'investissement à capital variable 13, bd. de la Foire, LUXEMBOURG R.C. Luxembourg B 26149

CONVOCACTION Messrs. Shareholders are hereby convened to attend the statutory general meeting which is going to be held on April 25, 1988, at 10:30 o'clock at the head office, with the following agenda: 1. Submission of the Reports of the Board of Directors and of the Statutory Auditor; 2. Approval of the balance sheet and of the profit and loss statement as of December 31, 1987; 3. Resolution in respect of the allocation of distributable income; 4. Approval of the action of the Directors and of the Statutory Auditor in respect of the carrying out of their duties during the fiscal year ended December 31, 1987; 5. Receipt of and action on nominations for election of directors and of the Statutory Auditor for a new statutory term; 6. Miscellaneous business as may properly come before the meeting.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 19th April 1988

Large table listing various international funds with columns for fund name, currency, and price. Includes funds like AL-NAL GROUP, APAC FINANCIAL CORP, etc.

Nixdorf Earnings Rise 19%

FRANKFURT — Nixdorf Computer AG said Tuesday that its profit in 1987 jumped 19 percent to 264 million Deutsche marks (\$158 million) over 1986, despite the dollar's sharp fall. Revenues also rose 13 percent to 5.1 billion DM.

While the dollar's decline against the mark last year did squeeze exports by making U.S. goods more competitive, Nixdorf said that effect was offset because it had to pay less in marks for much of its supplies.

Klaus Luft, the management board chairman, said that if the dollar had remained steady in 1987, foreign sales would have risen 15.1 percent, instead of 8.5 percent. Meanwhile, he said, he expects that the double-digit growth rate in revenues will continue in 1988.

Nixdorf said its orders in hand at the end of 1987 were up 13 percent from the year before, at \$1.1 billion DM. Although the company wants to increase its share of European mar-

ket and plans aggressive expansion in the Far East, growth in North America is likely to be more selective. "We are not hunting for market share in the United States, but want to expand in selected areas," said Arno Bohm, the management board vice chairman.

Nixdorf expects research and development spending to remain at about 9 percent to 10 percent of sales in 1988.

However, it plans to increase investment in new plant and equipment to 700 million to 800 million DM from the 725 million DM spent in 1987.

Honeywell Net Up 32%

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ESORTS & GUIDES section with multiple listings for services in various cities like Amsterdam, London, and Zurich.

OBLI-DM advertisement for Société d'investissement à capital variable, including a dividend notice and company details.

ESORTS & GUIDES section with multiple listings for services in various cities like Amsterdam, London, and Zurich.

CURRENCY MARKETS

Dollar Up on Fed Official's Remarks

NEW YORK — The dollar ended mostly higher Tuesday in choppy trading in New York, supported by comments by the Federal Reserve's vice chairman and tensions in the Gulf.

Dealers said the market took encouragement from remarks by Michael Johnson, the vice chairman of the Fed, that the central bank would be willing to adjust monetary policy when needed.

The dollar closed in New York at 1.6635 Deutsche marks, up from 1.6605; at 124.25 yen, unchanged; at 5.6530 French francs, up from 5.6385; and at 1.3760 Swiss francs, up from 1.3730.

The U.S. currency also advanced against the British pound, which ended at \$1.8935, down from \$1.9005.

"You will find this Fed willing to take early action to try and avoid the problems that existed," Mr. Johnson said.

He was responding to a question before a conference in Boston on restructuring the U.S. financial services industry. The remarks were viewed as a hint that the Fed would restrict the growth of credit by driving up interest rates, if necessary, if the economy overheats.

"I think you'll see action coming before all the evidence is there because I don't think we can afford to wait that long," Mr. Johnson said.

London Dollar Rates

Table with 3 columns: Currency, Rate, and Change. Includes Deutsche mark, French franc, Swiss franc, and Japanese yen.

The pound ended lower in Europe as profit-taking and reported intervention by the Bank of England brought the currency back below the key levels breached Monday.

The pound closed in London at \$1.8940, down from \$1.9045 at Monday's close, and at 3.1480 DM, down from 3.1558 DM. The previous day's closings were the British currency's highest levels in six years.

Dealers said the Bank of England intervened during the morning as sterling edged up to trade around \$1.8960. They described the intervention as slight, mainly a symbolic move to remind the market of the central bank's presence.

Most dealers said that if relative calm returned to the Gulf, the dollar would again come under downward pressure.

"People want to sell it. They're just looking for levels from which to go short again," said a dealer at a European bank.

In earlier trading in Europe, the dollar was fixed in Frankfurt at 1.6628 DM, up from 1.6621 DM at Monday's fixing, and in Paris at 5.6525, up from 5.6460. It closed in Zurich at 1.3760 Swiss francs, up from 1.3725.

ECU Unsuitable As Reserve Unit, Institute Argues

Agence France-Press

BONN — The European currency unit is unsuitable as a reserve currency or for intervening on the foreign exchange market, a West German economics institute says.

HWFA also argued in an editorial published Monday in the magazine, its English-language review, that French proposals to set up a European central bank are aimed at breaking West German dominance of the European Monetary System.

The institute argued that a reserve currency derives its strength from internal stability. It said that the Deutsche mark rests on greater domestic stability than the ECU, whose value is derived from a basket of European currencies.

It said that if the ECU were made into a reserve currency, as suggested by Finance Minister Edouard Balladur of France, the 12-nation European Community would face substantially higher debts.

Taiwan Buying Gold to Reduce Trade Surplus With U.S.

TAIPEI — Taiwan plans to buy the equivalent of as much as one-quarter of the world's annual gold production this year, mostly from the United States, to cut its trade surplus, according to gold dealers here.

Economists said Taiwan was trying to manipulate its trade figures with the United States to head off demands from Washington for a currency appreciation.

The central bank governor, Chang Ching-cheng, announced Monday that the bank had bought 69 metric tons (76 short tons) of gold in the first two months of this year. That amount is worth about \$7 billion at current prices.

"It will help reduce our trade surplus," Mr. Chang said of the purchases, adding that the bank would buy more gold when the price reached a "proper level."

Last month Taiwan reported that its trade surplus had narrowed, and Mr. Chang said at the time that Washington had stopped urging Taipei to allow a currency appreciation.

Oil Prices Drop, Wiping Out Monday Gains

Oil prices fell Tuesday, wiping out Monday's gains, as traders reacted to reports of a global effort to halt the price slide.

The total trade surplus in the first two months of 1988 was \$2.06 billion, down from \$2.73 billion a year earlier. Taiwan's surplus with the United States in that period was \$1.67 billion, compared with \$2.35 billion a year earlier.

The gold purchases are being financed from Taiwan's foreign exchange reserves, which at \$75 billion are the world's largest after Japan's. Buying gold will help cut the reserves, which focus attention on Taiwan's trade surplus.

Reducing the reserves will also ease upward pressure on Taiwan's currency, the Taiwan dollar, and encourage an exodus of the speculative capital that has fueled the growth of the money supply and led to fears of inflation.

Economists said the idea of increasing gold imports was at best a temporary way to balance trade with the United States and would not fool Washington.

"It will not help for the long term," said Hou Chia-chi, professor of economics at Soochow University.

Mr. Chang said Taiwan's gold reserves were in Vienna in a global effort to halt the price slide. The 13-nation cartel will hold consultations two days later.

KOREA: Pohang Expands

Pohang's new maturity was reflected in its first public offering this month. Under a government plan to privatize state-owned companies gradually, Pohang is selling half of the government's 70 percent stake — 31.3 million shares or 35 percent of total equity — to its employees and private investors.

Four local commercial banks and a private company own the remaining 30 percent of the equity.

Some industry analysts believe that Pohang might be overlooking trends in other steel-producing nations.

"So far, Pohang can be regarded as a success here and abroad. But they should turn their eyes to the future," said Hong Sung-Won of the Korea Institute for Economics and Technology, a government think tank.

Company officials say that the new plant, completed six months ahead of schedule on land reclaimed from the sea, is the most advanced in the world. Pohang also has a mill at its east coast base with an annual production capacity of 9.2 million tons.

Japan's Broad Money Supply Rose 12.1% in March

TOKYO — Japan's broad money supply grew by 11.8 percent in March from a year earlier, down from 12.4 percent growth in February, but showed a bigger rise on a year-to-year basis, the Bank of Japan said Tuesday.

The central bank said the year-to-year increase in M-2 plus certificates of deposit rose to 12.1 percent in the first quarter of 1988 from 11.8 percent in the last quarter of 1987. M-2 comprises currency in circulation, sight deposits and time deposits.

The central bank also sold 500 billion yen (about \$4 billion) worth of financial bills to the money market on Tuesday under repurchase agreements due to expire June 2. The banking system was in surplus of several hundred billion yen Tuesday, and a big deficit is expected on June 2. The Bank of Japan has acknowledged that after the slowdown in March, money supply growth could resume accelerating in April.

The minimum amount for large time deposits and certificates of deposit has been reduced from 100 million yen to 50 million yen from April 1. That is expected to trigger an influx of funds into such instruments. Funds held in time deposits already grew by 13.9 percent in the March quarter, a central bank official said.

Japan's ballooning money supply is constraining the central bank's monetary policy, the Bank of Japan Governor, Satoshi Sumita, said Tuesday.

"The bridge we are crossing now is one that must be crossed carefully," Mr. Sumita said.

He stressed, however, that contrary to financial market expectations, the central bank was not planning a tighter monetary policy

in a bid to curb inflationary pressures.

"We are maintaining the current stance of the monetary policy while paying due attention to prices and foreign exchange developments," Mr. Sumita said.

The March figure on money supply, announced after the bond market had closed, was below the expectations of some market participants who predicted a rate as high as 13 percent. Japanese bond prices sagged and yields rose in trading earlier Tuesday.

The bellwether 105 bond fell 0.43 yen to 104.03 yen, driving the yield up 0.06 percentage points to 4.403 percent and bond funds expiring in June fell 0.37 yen to 107.99 with the yield rising 0.051 points to 4.816 percent.

Dealers said concern about the possible inflationary impact of higher oil prices arising from the turmoil in the Gulf also depressed bond prices.

Money traders said that a rise in one-month and two-month commercial bill discount rates on Monday was an early warning from the central bank that Japan's money supply was increasing too steeply.

The rise in the key two-month bill rate was totally unexpected given the yen's recent appreciation, said Yasushi Takasaki, deputy manager of Daiwa Securities Co., a money market division. The Bank of Japan allowed one-month and two-month commercial bill rates to rise by 1/16 of a point.

"The Bank of Japan's move contradicts its apparent aim of keeping further appreciation by the yen under control, but it does imply that the central bank is keeping a close eye on money growth and the prices of goods," said Nobutaka Kokumai, manager of New Japan Securities Co. (AFP, Reuters)

Fed Hints at Tighter Policy

BOSTON — The vice chairman of the Federal Reserve Board appeared Tuesday to confirm speculation that the central bank had tightened monetary policy in recent weeks to prevent the U.S. economy from overheating.

"We have tried to adjust our monetary policy to conditions that exist by being well aware that the risk has tended to shift slightly more toward expansion rather than slowing down in the economy," said Manuel Johnson, commenting before a conference.

"We have had the tea leaves on the economy, just like anyone else," he said. "That's all I can say about the stance of policy."

The markets have speculated in recent weeks that the Fed moved to tighten the federal funds rate after reports of a surge in U.S. employment and other signs of accelerating economic growth.

But Mr. Johnson also seemed to be trying to allay concern triggered by a report that the U.S. trade deficit swelled in February.

"The data suggested the economy was growing too fast, the appetite for imports was too big and the Fed might have to raise interest rates."

"I don't think the Fed will be forced into short-term adjustments just on the basis of one month's numbers," he said.

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Tuesday's OTC Prices. NASDAQ prices as of 4 P.M. New York time. Most trades occur between 9:30 a.m. and 4:00 p.m. It is repeated twice a year. Via The Associated Press.

Table with 12 columns: 12 Month High, 12 Month Low, Stock, Div. Yld., Sales in 100s, High, Low, 4 P.M. CHG. Includes various stock listings.

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SPORTS

In Soccer Semifinal, Prayer May Work Overtime

LONDON — What price the power of prayer in modern soccer? With so many tournaments reduced to the slam-bang virtues of penalty kicks, the thoughts of goalie Francisco Buayo are worth listening to.

Being Real Madrid's last line of resistance, he may well face penalties in the Netherlands against Eindhoven on Wednesday, the season's work — and Real's pretensions to greatness — resting on him. Buayo says he turns to God. While opponents try to jangle his nerves and rattle his concentration he intones, over and over, the Lord's Prayer.

Before it comes to that, Buayo and his pals will have 90 minutes, and perhaps overtime, to put right their failure to beat PSV Eindhoven in Madrid two weeks ago. That 1-1 European Champions Cup semifinal leg means Real must triumph in Eindhoven, where no visitor has won this season.

Perhaps you'll recall the observation by Cervantes that "a leap over the hedge is better than good men's prayers." In Buayo's case, it's a matter of timing the leaps. His courage and flexibility are not in doubt; in penalty-kick situations, he is something of a hero. But although he's 30, and an experienced international, Buayo doesn't always curb the impulse to come off his goal line too soon.

PSV's plans will include the cross-bell beneath Buayo's bar, with Dutch national center-forward Wim Kieft lurking to capitalize on the slightest miscalculation. But soccer is designed to test the skill, nerve, sinew and courage of 22 players. A champion of champions summons up moral fiber wherever and whenever necessary.

That has done it for Real, when it comes to the knockout, then Bayern Munich. And although Eindhoven has a formidable blend of 10 internationals from three countries, the tie in Madrid probably had something to do with Real's belief that the crown is its destiny.

Having scored early, through a Hugo Sanchez penalty, Real behaved as human beings will — its players thought victory was in the bag. Sportsmen should know better, but arrogance is also a trait of champions.

PSV Eindhoven is not a team simply to let it happen. Dutch renaissance may yet be a trifle premature, but the country is gathering the seeds of a new era and the sap is rising anew in its young players.

The resurgence is welcome, even if the wonders of the Croyle-Kroh-Nesken era of the 1970s are still a ways off. PSV is the Netherlands' best for the third consecutive year. It sold Europe's most exciting individual, Rudi Voller, to Milan last summer and still has five men on a squad that stands a good chance of winning the European national championship in June.

Eindhoven's money (or rather that of its sponsor, Philips) also buys foreign talent. The defense has Eric Gerets, the former Belgian World Cup captain, alongside Ivan Nielsen, one of three Danes on the side. The other two, Soren Lerby and Frank Arnesen, are dynamic in harness with Gerald Vanenburg in PSV's midfield.

The blond Lerby, socks rolled down almost as a challenge to opposing haeks, vibrates strength and daring. Arnesen is comparatively dark, slender and vulnerable, but has an eye for the opening that can rescue a match from the dead.

Playing between interminable injuries, Arnesen lasted 21 minutes in Bernabeu Stadium two weeks ago, time enough for him to suddenly open up Real Madrid for teenager Eduard Linskens to equalize. Real's Eindhoven calmly, patiently doused every flash shown by Sanchez and Emilio Butragueño. But one shouldn't romanticize the Dutch defense; it has brutality as well as beauty.

Barring last-minute appeal, PSV's most influential performer, Ronald Koeman, won't be there to make goal-line clearances or to glide into spellbinding counterattacks. Koeman is banned from three European matches, not because he is a thug or an unsporting exponent of the sweeper's art, but because he has publicly praised a colleague who hacked a Frenchman out of the previous round.

Like Gullit, Koeman is an expressive performer who courts controversy. The country's highest-paid player (reportedly soon to become, for \$6 million, the property of Juventus), Koeman in a magazine congratulated teammate Hans Gilhuis for the foul that wrenched Bordeaux midfielder Jean Tigana's ankle.

According to Koeman, PSV planned to remove Tigana. PSV fined Koeman \$3,400 and suspended him from the next league game, but UEFA justifiably added a three-match ban.

Small satisfaction for the French, Bordeaux was held, 1-1, at home and to a scoreless draw in Eindhoven, a results-before-performance achievement that PSV would relish repeating this week.

Real Madrid, to prove what we've been saying, must produce the exultant form normally reserved for the Bernabeu. Another 1-1 draw would bring the dreaded penalty shootout; a scoreless night would put PSV through, and a tie at 2 or higher would guarantee Real's escape.

The other semifinal, in Lisbon, is similarly stalemated. Benfica dampened Steaua Bucharest and a 35,000 crowd in Romania by drawing, 0-0. Wednesday's six-figure crowd will throw the onus on Benfica to lift its blanket defense and attack. But that might just create the space Giorgi Hagit and Marius Lacatus need to counterattack.

The UEFA Cup, PSV is more defeated. Ajax, 3-0 victors in Marseille, must surely be home and dry. Mechelen of Belgium takes a 3-1 lead, courtesy of its opponent Israeli striker, Eli Ohana, to Atalanta of Bergamo.

In the UEFA Cup, Espanol, a Barcelona team galvanized by an aggressive Basque coach, needs three goals to overhaul Cercle Brugge. The winner will meet a West German team — either Werder Bremen, so close now to its first Bundesliga title since 1965, or Bayer Leverkusen.

To do the expected, Bremen must make history: Leverkusen has never been beaten in 13 European matches. True, Bremen is now at home and trailing only by 0-1. But in a league match a month ago, Leverkusen shared an exciting 3-3 draw and, with the emphasis on away goals in Europe, it has at least a prayer.

And every prayer, wrote Ivan Turgenev in *A Sportsman's Sketches*, "reduces itself to this: Great God grant that twice two be not four."

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Clark, Winfield Pace 20-Hit Barrage As Yanks Paste Twins, 18-5, in Dome

MINNEAPOLIS — Jack Clark finally got a taste of the Metrodome. He liked it.

Clark, who was injured and missed last year's World Series when the Minnesota Twins beat his St. Louis Cardinals, changed working addresses in the offseason. In his Metrodome debut as a Yankee, he had three hits and three runs batted in — New York routed the Series champions, 18-5, Monday night.

Dave Winfield drove in four runs and had three of the winners' 20 hits as the Yankees scored 18 runs for the first time in six years. Every New York starter had at least one hit and an RBI.

Clark snapped an 0-for-10 slump that included eight strikeouts and an ejection on Sunday. "Sometimes you need to get upset," Clark said. "I wasn't getting upset at the umpire as much as I was getting upset at myself. I don't feel completely comfortable yet, but I'm getting closer."

Minnesota, with a 4-7 record, has been outscored, 65-32, this season; the Yankees are 3-0 against the Twins on an aggregate score of 31-6.

At Athletics 5, Angels 4: In Oakland, California, DeWayne Bruce balked in the winning run during a three-run eighth. Dan Petry, the Angel starter, took a 4-2 lead into the inning, but Bruce relieved after a leadoff single by Terry Steinbach. Mike Gallego, running for Steinbach, took second on a wild pitch and scored on Stan Javier's double. Glenn Hubbard singled Javier to third with the winning run. Boggs had walked, and went to third when Jim Rice doubled off Mitch Williams.

Tigers 4, Royals 2: In Detroit, Alan Trammell and Larry Herndon hit consecutive run-scoring singles in the sixth to help the Tigers sweep a three-game series and break an eight-game losing streak against Floyd Bannister.

Dodgers 6, Padres 0: In the National League, in Los Angeles, Tim Lincecum — who last season had a 3-11 record and a 4.76 earned-run average — pitched an 11-strikeout three-hitter and delivered a two-run single to spark the Dodgers past San Diego.

Phillies 10, Mets 7: In New York, Von Hayes drove in two runs and scored two others, helping Philadelphia end a seven-game skid and snap the Mets' six-game winning string. The Phils piled up eight earned runs between the third and sixth innings; New York pitching had allowed only six earned runs in 51 innings while building its streak.

Giants 6, Reds 3: In Cincinnati, Kevin Mitchell, Will Clark and Jeffrey Leonard drove in runs in a three-run 12th that lifted San Francisco.

White Sox 4, Mariners 0: In Seattle, Dave LaPoint and Bill Long combined on a five-hitter and Ivan Calderon and Carlton Fisk hit fourth-inning home runs to lead Chicago to its fourth straight victory. The homers were only the sixth and seventh of the year for the White Sox.

Red Sox 4, Rangers 3: In Boston, Mike Greenwell, who had six RBIs a day earlier, lifted a sacrifice fly to center field with none out in the ninth to score Wade Boggs from

BASEBALL ROUNDUP

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Canadiens, Caps Win At Home

NEW YORK — The New York Devils and the Boston Bruins reverted to form in the National Hockey League playoffs Monday night.

The Devils lost, 3-1, to Washington in the opener of the Patrick Division finals.

STANLEY CUP PLAYOFFS

Division finals. That dropped New Jersey's record to 1-2-1 at the Capital Centre in Landover, Maryland; its only victory there came on March 20, when it broke a streak of 20 games without a victory.

Meanwhile, Montreal beat the Bruins, 5-2, in Game 1 of the Adams Division finals. Boston, which has not beaten the Canadiens in a playoff series since 1943 — a string of 18 Stanley Cup rounds — has won only twice in its past 23 playoff games against Montreal.

Larry Murphy had a goal and an assist and Pete Peeters stopped 33 shots to lead Washington. Peeters, looking for the third playoff shutout of his career, stopped New Jersey's first 29 shots before Tom Kurvers put one between his legs with 10:11 left in the game.

With seven minutes to play, Ron Langway, Washington's all-star defenseman, sustained a leg cut in a tangle with New Jersey forward Pat Verbeek. Langway received stitches at a hospital.

In Montreal, Kjell Dahlin stunned goaltender Andy Mobin with a wrist shot 3:35 into the game, and Mike McPhee boosted the lead to 2-0 with a short-handed goal just over five minutes later.

Claude Lemieux put the game away with two second-period goals. The division finals in the Campbell Conference were to begin Tuesday night, with St. Louis at Detroit and Edmonton at Calgary.

And the players know it. "We're not as bad as we've played, but no one could be that bad," said pitcher Scott McGreger. "Our pitching has been a lot better, and when we get some pitching, we can run off two or three in a row and maybe eventually get back to 500."

It may have been like draining the Atlantic with a thimble, but it doesn't appear the Orioles are going to get disabled reliever Don Aase back as quickly as they'd expected. They'd originally planned to put him back on the roster today, but after seeing him pitch in a simulated game Sunday, they backed off.

"He threw some fastballs good and some not so good," said Herm Starnette, the pitching coach. "This doesn't sit well with Aase, who says flatly, 'I'm ready. I feel I've been ready. I won't know how my fastball is until I see how batters react to it. But I feel I'm right there.'"

Hemond is the reason Baltimore has 14 players who weren't in the organization a year ago. He says he won't give up after two weeks, no matter how bad they've been.

"You look at our club, and it's lusting and trying to darn hard. You can't find fault with that," he said. "When you're going good, a ball like Eddie hit Saturday is a home run. When you're going bad, those things are foul by inches. It's the story of our season, but it's a strange game and can turn around."

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SCOREBOARD

Baseball

Monday's Line Scores

Table with columns for Team, Score, and Innings. Includes games like Yankees vs Twins, Orioles vs Red Sox, etc.

Golf

PGA Leaders

Table listing PGA leaders with names and earnings.

Major League Standings

Table showing league standings for American League and National League.

Basketball

NBA Standings

Table showing NBA standings for Eastern and Western Conferences.

Transition

BASEBALL American League BOSTON — Sent Bob Stanley, pitcher, to Winter Haven of the Florida State League for a 30-day physical rehabilitation program.

Transition

FOOTBALL National Football League ATLANTA — Released Jeff Kentel, guard.

SCOREBOARD

Hockey

NHL Playoffs

Table showing NHL playoff results and scores.

Second-Round Schedule

Table listing NHL second-round game schedules.

Transition

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Transition

FOOTBALL National Football League ATLANTA — Released Jeff Kentel, guard.

Transition

COLLEGE CHICAGO — Named Rich Parrinello football coach.

Transition

LOUISIANA STATE — Announced that Sam "Frost" Swinney coach has resigned effective July 1 to become athletic director of Kentucky.

RIEFS

in Poll Tax Margaret Thatcher's Conservative Party...

Workers Back United Nations Aid in northern Ethiopia...

Snap Election Paul Schuler...

From Quota Japan and the Japanese quota system...

UPDATE Britain Increase through British airports...

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Orioles Close In on Notoriety

By Richard Justice

WASHINGTON — The year was 1920. Warren G. Harding was president. Harvard was the Rose Bowl champion, the New York Yankees paid \$10,000 for the services of a young outfielder named Babe Ruth and the Cleveland Indians won the first of their three American League pennants.

It was also the year the Detroit Tigers lost their first 13 games, and despite the presence of future Hall of Famers Harry Heilmann and Ty Cobb, finished the season 61-93 and 37 games behind the Indians.

The Tigers were only the second team to start a season 0-13. The Washington Senators of 1904, the team of pitcher Jackie Townsend (5-26) and second baseman Barry McCormick (37 errors), also got off to a 0-13 start on their way to a 38-113 finish.

On Tuesday night, the 1988 Baltimore Orioles (0-12) were trying to avoid becoming the third. At Milwaukee's County Stadium, they were to send out Mark Thurmond (a 7.84 earned-run average) in an attempt to end one of the most humiliating periods in the history of a franchise that had once

been the standard by which baseball excellence was measured. It's hard to remember that Baltimore won the World Series in 1983, or that in 18 seasons from 1966 until 1983 Baltimore was as close to a dynasty as baseball had seen since the New York Yankees teams of the '60s. Those Orioles teams won 59 percent of their games and six pennants and became a model of organization, patience and consistency.

These Orioles, already 10 1/2 games out of first place, aren't like that. These Orioles haven't figured out how to stop the double steal; run the bases or pick up ground balls. Most of all, they haven't hit. They're averaging 1.4 runs per game and have been outscored, 70-17. They're hitless in their last 27 at-bats with runners in scoring position, and one of their best hitters, Cal Ripken Jr., is in the worst slump of his career — hitless in his last 29 at-bats and 2-for-43 (.047) on the season.

But it's not just Ripken. The team batting average, .172 as the road trip began, hasn't been above .197 since an opening-day 12-0 loss to Milwaukee.

"This kind of thing goes with the job," General Manager Roland Hemond said wearily. "When you're in the game, whether it's baseball or life, you're going to run into adversity and disappointment. That's what everyone has got to work together. I'll tell you this, though, I'm hearing from a lot of friends around the country the last few days. They tell me they're all pulling for me, and I need to hear it."

It isn't just that the Orioles have been losing; they've come close to winning only a couple of times. First baseman Eddie Murray missed a game-winning home run by inches Saturday night, but the Orioles have had leads only three other times.

Hemond and new Manager Frank Robinson met Monday to consider changes. Among the possibilities are promoting left-hander Jeff Ballard, who has thrown back-to-back shutouts, to the

OBSERVER

The Phantom Tongue

By Russell Baker

NEW YORK — Larry Speakes was in despair. While garrulous Red Boss Gorbachev emitted a steady stream of powerful im-

building hot air, good decent President Reagan stood around not opening his mouth.

Larry Speakes saw a public relations catastrophe unless the president made some statesmanlike sounds to counteract Made in Moscow gas.

He called assistant Mark Weinberg. He knew Mark Weinberg was a good man with words. He had known it ever since he had heard Mark Weinberg's effortless reply to a stranger saying, "How do you do?"

Mark Weinberg had said, "Fine, thanks, how about yourself?" That was word know-how. Larry Speakes was impressed.

Now, with the United States facing a Red public relations coup, he told Mark Weinberg to make his word magic. "Make up some sentences we can say the president is saying to Gorbachev," he said.

"Then I will polish them up and hold a press conference and say the president has been saying them."

Mark Weinberg was in trouble. To be perfectly honest, what did he know about words? That great line Larry Speakes admired so much — "Fine, thanks, how about yourself?" — had actually been given to him by his Cousin Brian.

He phoned this word-smooth cousin, saying, "Brian, I am in a pickle, don't ask why, but if the bonds of cousinhood mean anything to you I beg you to write me a few statesmanlike sentences a president might speak to Gorbachev and give them to me, so I can polish them."

Brian laughed. "Dear Cousin Mark Weinberg," he said, "what makes you think I'm a word man? I couldn't write an intelligent sentence if my life depended on it. Nor would I if I could. I work for the government. I could get fired for that kind of thing."

But he had written that great line, "Fine, thanks, how about yourself?"

Between them, Cousin Brian confided, he had stolen it from a woman named Blanche who worked the lunch counter at a Georgetown drugstore.

This was a crisis, said Mark Weinberg. Would Cousin Brian do something to prevent a PR triumph

for communism and ask Blanche for a few sentences statesmanlike enough for a president to speak? "They'd be useless," said Cousin Brian. "Except for 'Fine, thanks, how about yourself?' the only sentence I've ever heard Blanche speak without expletives is, 'How'll you have your coffee, honey?'"

Cousin Brian went to the drugstore counter, but couldn't think of anything to say to Blanche at first, so she said, "Fine, thanks, how about yourself?"

"Coffee," replied Cousin Brian. "How'll you have your coffee, honey?" she asked.

Cousin Brian didn't know the answer to that, because he never drank coffee. He was afraid it might stimulate him and cost him his government job. So he said, "Fine, thanks, how about yourself?"

Cousin Brian followed this riposte with, "How would you like to write a few statesmanlike sentences that a president might speak to Gorbachev?" As a result, Cousin Brian was quickly surrounded by the manager and a dilapidated security guard.

Fortunately for Cousin Brian, a large authoritative man at the next stall elbowed everyone aside, said he was a doctor, had seen many cases like Cousin Brian's, and would take him instantly to a clinic.

He was actually a KGB agent, but he told Cousin Brian to be a master of words and offered to supply statesmanlike sentences, among other things. Next day he did.

They were written by Gorbachev. His secret code, the KGB man explained that he was tired of having to do all the talking while President Reagan just stood there. From the KGB man they passed from Cousin Brian up the chain to Larry Speakes, who said the president said them.

When the president didn't, Gorbachev was insulted and swore he'd never ghost for Washington again. Fortunately, Larry Speakes didn't need him. He found someone named Frank to write his book about all this. This column, naturally, wasn't written by me. You think I want to sneered out of Washington? Not as long as Blanche doesn't mind my polishing her sentences a little.

New York Times Service

The Russian 'Porch' of Tatyana Tolstaya

By David Remnick

WASHINGTON Post Service MOSCOW — The Moscow Writers Union will not accept or tolerate its own Tolstoy.

Considered by many critics and writers to be the foremost writer of her generation, a miniaturist whose stories combine the linguistic stardust of Vladimir Nabokov and the emotional wisdom of Anton Chekhov, Tatyana Tolstaya can only laugh about the official world of Soviet literature and the way it recently failed to elect her a member of the union.

"A joke," she says. "An awful joke." Even in an era when the government has decided to allow the publication of works suppressed for years, the Writers Union is still dominated by dinosaurs who will not die. Tolstaya is 37, a writer of keen intelligence and cutting wit. She lives with her husband and two sons in downtown Moscow. The place is lined with the historical ovels of Count Alexei Tolstoy, Tatyana's grandfather, and the majestic works of Leo Tolstoy, a more distant relative.

"All the Tolstoys are related," she says. "And sometimes the weight of a name is an awful thing to bear. When I was reading 'Anna Karenina' as a girl, I felt as if Tolstoy was talking directly into my ear. I heard his voice, about had a strange, wonderful feeling of closeness with him, but later the name became an irritation, a terrible expectation of something."

After working in a series of dull jobs in publishing houses, Tolstaya shrugged off the anxiety of family and influence and began five years ago to write stories — brief glimpses into the human heart that tell more about the quality of the individual soul than the state. In "Dear Shura," Tolstaya captures the internal life of an old woman who lives in the shadow world between memories of her past beauty and romances and the inevitability of her coming oblivion. Shura walks "shifting her pre-revolutionary legs like the branches of a compass" and wears an eccentric hat with its plumes and "its dead fruit clacking."

"The truth is that there aren't many young writers to speak of in Russia, but when you pick up one

of Tolstaya's stories and read just a paragraph, you know you have found the real thing," says Ellen-dea Proffer, an American critic and owner of Ardis, a Michigan-based publishing house that publishes Soviet and Russian works.

Tolstaya's first collection, "Sitting on a Golden Porch," came out here a few months ago, and next year Alfred A. Knopf plans to publish a translation. Unfortunately, the stories that have run in such journals as Novy Mir were so popular that the Soviet edition of her book disappeared from Moscow bookstores in less than an hour.

"The only places you can find it now are in stores in places like Central Asia, where the book sits gathering dust between old volumes of Brezhnev's speeches," Tolstaya says. "Publishing here is still a ridiculous, Stone Age affair."

Tolstaya has visited the United States and Europe, but she says she "would never want to leave this country. For me the inner life is more important than the material life. If I lived in the United States I think I would probably get a little too used to the 'good life' and it would be difficult to return here — here where there is nothing in the shops. But after the good life, what would be next? Here, I feel needed. I think the people are left or were forced out of Russia are of two minds about their situation. It must be very hard to live in a place where so few people read your work or understand your language."

The official literary world here is still dominated by the editors of reactionary magazines such as Molodaya Gvardiya, Moskva, and Nash Sovremennik and the "Russian party" — a group of nationalist writers including Valentin Rasputin, Vali Belov and Viktor Astafyev. Some editors, like Sergei Zalygi of Novy Mir, are ambivalent figures, caught between their conservative preferences and their current directive to print neglected classics and the best contemporary writers.

Look some of these people, especially Rasputin and the other nationalists, are talented, or used to be talented when they were writing about lakes and other endearing parts of the Russian landscape or Russian life," said one writer. "But when they try to find enemies, they fall to



Author Tolstaya got a rye from the Moscow Writers Union.

understand that we are all guilty in some way." When Tolstaya's name came up at the plenum of the Moscow Writers Union, most assumed that on the strength of "Sitting on a Golden Porch" she would be a shoe-in, conservative hierarchy or not. But she fell two votes short.

Natalya Ivanova, a critic, took up Tolstaya's case in the weekly Moscow News, writing a brilliant attack on the current literary scene. She described how Stalin was appalled by a rather contemptuous status in Moscow of the classic satirist Aleks Gogol and ordered a second one, his visage beaming, Ivanova wrote, "with phony optimism."

"The two Gogols in Moscow are two faces of our literature," she wrote. "One is brimming with

love and sympathy, sad and musing. The other is bursting with optimism. One literature is guided by sincerity and honesty, the other is a 'mockup,' an imitation of literature. Its characters seem real, they talk, they move, they fight for or against all that is progressive or beautiful. They lack only one small thing — a soul."

And then Ivanova addressed the Tolstaya issue directly. "She is one of the most remarkable literary writers among the out-to-outraged generation of young authors," but the Writers Union does not seem impressed. What puts them off perhaps is the prospect of yet another writer bearing the famous Tolstoy name.

"You know, oo ooo really knows exactly what Gorbachev

Trudeau's Former Wife Cleared in Drug Charge

Prosecutors in Ottawa dismissed charges of marijuana possession against Margaret Keenan, the ex-wife of Pierre Elliott Trudeau, the former prime minister of Canada. Keenan had been charged March 17 after Royal Canadian Mounted Police used a search warrant to seize a package at her home. Trudeau and his wife were divorced in 1983. She married Fred Keenan, an Ottawa real estate developer, the following year.

A lawyer persuaded Liberman to sign a will he didn't want shortly before his death, then "began robbing Liberman's estate" by mismanaging hundreds of thousands of dollars from the estate, an attorney says. The Los Angeles lawyer, Theodore Liberman, was the executor of the estate, and Liberman's money and even went to the entertainer's Palm Springs, California, home after his death and declared, "I am Liberman, Harold Gewerter charged in a civil suit. But Strode testified that Liberman called him three weeks before his death and asked that the will be updated and that his longtime manager Seymour Heller be replaced as executor by Strode. Strode said the entertainer wanted to make sure that most of the estate went to a trust to fund the Liberman Foundation for the Performing Arts, which provides scholarships at 22 colleges."

Two millionaire families were joined in matrimony in a union that one relative joked had to be approved by the U.S. Securities and Exchange Commission. Laura S. Stuchlik, 34, was married to New York City Stambler, the daughter of Barbara and Saul P. Stambler, chairman and chief executive of Reliance Group Holdings Inc., who are now divorced. Tichy, president of Loews Hotels, is the son of Joan and Preston Robert Tichy, president and co-chief executive officer of the Loews Corp.

Governor Mario Cuomo of New York earned more as a speaker in 1987 than he did as governor. Tax returns show, in addition, Cuomo donated almost \$90,000 of his \$278,988 in earnings last year to the state, according to the returns. The Democrat's income included \$134,000 from speaking engagements and \$125,988 from the state.

LEGAL NOTICES

Citizen On Probate

THE PEOPLE OF THE STATE OF NEW YORK

BY THE GRACE OF GOD FREE AND INDEPENDENT

To Eugene Morrison, distributee of

Sylvia G. Cannon, deceased

WHEREAS, Sylvia Jean Morrison who resides at 345 East 57th Street, New York, NY 10022 USA has lately applied to the Surrogate's Court of the County of Dutchess to have a certain instrument in writing, dated May 23, 1987 relating to her last will and testament of SYLVIA G. CANNON deceased, who died testate on the death of a resident of the State of New York in the County of Dutchess,

THEREFORE, you and each of you are cited to show cause before the Surrogate's Court of the County of Dutchess on the 26th day of May, one thousand nine hundred eighty eight at 9:30 o'clock in the forenoon of that day, why the said instrument in writing should not be admitted to probate as a will of her last and personal property.

Name: MONROE J. KORN Esq. (Attorney)

Address: 30 East 40th Street New York, New York 10018

In Testimony Whereof, We have the said Surrogate's Court to be hereto affixed.

Witness my hand and the seal of the Surrogate's Court of the County of Dutchess, this 17th day of March in the year of our Lord one thousand nine hundred and eighty-eight.

UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

LEAH INTER-STATE, INC. v. CIVIL ACTION NO. 88-1001

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PERSONALS

WHY WERE YOU BORN? The purpose and meaning of your life is yours. Further information, UNIVERSAL LIFE, Dept. F, P.O. Box 668, D-8700, Waukegan, WI, Germany.

REVENUE THANKS TO SAINT JUDIE, Austria.

PLEASE TO Sacred Heart and Saint Jude helped me Thank you Deane, John and Dennis

TO HARBOLD, IT'S BEEN 3 YEARS of the dark days, but I'm happy no matter when, Rachel.

MOVING

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ANNOUNCEMENTS

PUBLIC AUCTION

HOTEL IN ST MARTIN, FWB

May 19th, 1988

COURT OF BASSE TERRE, GUADELOUPE

SALE OF LUXURY HOTEL

11 buildings forming an amphitheatre facing the sea, including 42 suites and 200 private cars, swimming pool and private cars beach.

Reserve price: 60,000,000 FF

FOR ALL INFORMATION, CONTACT

Monsieur J. ATHONSON

Chief Clerk of the Surrogate's Court

NOTICE: This notice is served upon you as required by law. You are not obliged to appear in person unless you wish to object to the probate of the will. You may have an attorney to appear for you.

UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

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